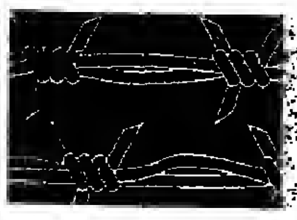

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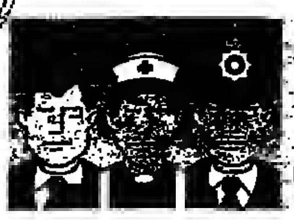

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Steps to a safer workplace
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TOMORROW'S Weekend FT

FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY NOVEMBER 11 1994 | D8523A

British minister 'acted unlawfully' over dam project

British foreign secretary Douglas Hurd acted unlawfully when he earmarked £243m ($390m) from the country's overseas aid budget for Malaysia's Pergau dam, the High Court in London ruled yesterday. It said the grant was flawed because the project was "economically unsound" and did not comply with British aid laws. The decision was a victory for lobby group, World Development Movement, which argued that Mr Hurd overstepped his powers by allocating aid for the improper purpose of promoting trade with Malaysia. Page 9

US producer prices fell by 0.5 per cent last month, helped by low new car prices. News of the fall blunted inflation fears and boosted US bonds. Page 16; World stocks, Page 38; US bonds, Page 21

New Bank of Japan governor named:

Yasuo Matsushita, a former Japanese vice finance minister, was nominated next governor of Japan's central bank after a long internal government wrangle over who should get the post. He is currently an adviser to Sakura, one of Japan'e biggest commercial banks. Subject to cabinet approval, Mr Matsushita will succeed current Bank of Japan governor Yasushi Mieno, whose five-year contract runs out next month. Page 16; Observer, Page 15

Royal Dutch Shell Group's third-quarter profits slipped 1 per cent to £853m ($531.3m), hampered by production losses from Nigeria's recent oil strike and tighter refining margins in Asia. Page 17; Lex, Page 16

Iraq recognises Kuwait: The ruling revolutionary command council of Iraqi president Saddam Hussein announced it had recognised Kuwait within its new UN-defined borders. Page 6

Lyonnaise des Eaux-Dumez, one of France's biggest building groups, is to stop making political contributions following corruption investigations which have shaken French business and political circles. Page 16

Axa may seek overseas listings: The big French insurance group is considering requesting stock exchange quotations in London, Tokyo and New York over the next two years. Page 17

Sri Lanka election: Prime minister Chandrika Bandaranaike Kumaratunga swept home by nearly 2m votes in Sri Lanka's presidential election.

WEU chief chosen: Portuguese diplomat Jose Cutileiro was appointed to the top job at the Western European Union; the nine-nation security club whose role looks likely to grow. Page 2

Polish minister sacked: Polish president Lech Walesa sacked defence minister Piotr Kolodziejczyk, his erstwhile ally, following a bitter row over reforms in the armed forces.

Vietnam licenses US banks: Vietnam's central state bank licensed Bank of America and Citibank to open branches in Hanoi. They will be the first US banks to do so since the Vietnam war ended in 1975. Page 7

Hong Kong economic forum move: China is to let Hong Kong keep its separate identity in the Asia-Pacific Economic Co-operation forum after the colony returns to Chinese sovereignty in 1997. Apec agrees investors' code, Page 5

Zhirinovsky loses libel action: Ultra-nationalist Russian leader Vladimir Zhirinovsky lost a $1.4m libel case he brought against a Finnish theatre. The theatre was alleged among other things to have compared Zhirinovsky to Adolf Hitler.

Serbs ponder war: The self-styled Bosnian Serb parliament spent a second day discussing whether to make the conflict in former Yugoslavia official. Page 2

Bugs resist drugs: New York Medical Centre scientists reported a new strain of antibiotic-resistant bacterium. They warned that its appearance implied that antibiotics might soon become useless.

Ferry door to be salvaged: Sweden and Finland agreed to raise the bow door of the ferry Estonia, which sank in September with the loss of some 900 lives.

Rum do: Britain's typical rum drinker is old, single, Scottish and rents a council house, according to a consumer survey on spirits. The upper classes prefer gin.

■ STOCK MARKET INDICES

FT-SE 100:	3,103.5	(+3.9)
Yield	4.11	
FT-SE Eurotrack 100	1,345.52	(+0.38)
FT-SE-A All-Share	1,540.93	(+0.1%)
Nikkei	19,264.85	(-159.03)
New York lunchtime:		
Dow Jones Ind Ave	3,840.49	(+8.74)
S&P Composite	465.91	(+0.49)

■ US LUNCHTIME RATES

Federal Funds:	4⅞%
3-mo Treas Bills: Yld	5.342%
Long Bond	93⅞
Yield	8.091%

■ LONDON MONEY

3-mo Interbank	6 1/32%	(6⅛%)
Liffe long gilt future:	Dec 101⅞	(Dec101 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$17.17	(17.34)

■ GOLD

New York Comex (Dec)	$385.9	(384.5)
London	$384.25	(384.4)

■ STERLING

New York lunchtime:		
$	1.5895	
London:		
$	1.5868	(1.6036)
DM	2.4506	(2.4534)
FFr	8.4225	(8.4335)
SFr	2.0542	(2.0542)
Y	156.545	(156.811)
£ Index	80.4	(80.6)

■ DOLLAR

New York lunchtime:		
DM	1.533	
FFr	5.264	
SFr	1.285	
Y	97.83	
London:		
DM	1.5348	(1.53)
FFr	5.2748	(5.2593)
SFr	1.2865	(1.281)
Y	98.04	(97.79)
$ Index	61.9	(61.7)

Tokyo close Y 97.77

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

'Leftwing elitists' take flak from US poll victors

By Jurek Martin in Washington

The spirit of political co-operation so evident on the morning after the US mid-term elections was fast evaporating yesterday, mostly because victorious Republicans could not resist taking potshots at President Bill Clinton.

Several Republicans also warned the president not to frustrate implementation of their legislative agenda on issues ranging from increased defence spending and deeper cuts in social programmes to cuts in foreign aid.

The most provocative comments came from Congressman Newt Gingrich, virtually certain to become the next Speaker of the House and – mostly – still trying to be magnanimous in victory. He promised, for example, no longer to call tha president an enemy of "normal" Americans, a favourite pre-election epithet.

However, what he gave in 24 hours filled with media interviews he also took away. He described Bill and Hillary Clinton as "counter-culture McGovernicks," a derogatory reference to the leftwing Democratic presidential candidate of 1972. The current White House, he said, was dominated by "leftwing elitists."

Warming to his familiar conservative theme, he said: "There are profound things that went wrong, starting with the Great Society [President Lyndon Johnson's social legislation] and the counter-culture, and until we address them head-on we're going to have these problems."

Congressman Bill Archer from Texas, likely next chairman of the House ways and means committee, also expanded on the Republican tactical approach. "We can't really get much of anything done which the president does not want to sign, other than hy constitutional amendment."

Senator Jesse Helms, the arch-conservative in line to take over the foreign relations committee, promised deep cuts in foreign aid, not excluding US contributions to the UN – for years the object of his discontent – and Nato.

Mr Gingrich also warned, only half-jokingly, that the Republicans could now frustrate the president in other ways. Senator Robert Dole, as majority leader, could control every appointment Mr Clinton sent up for ratification, he said.

The president himself drew his own line in the sand at his Wednesday election postmortem, in which he promised to work with the new Republican majority in Congress, but not to the point of of permitting a return to the economic policies of the 1980s.

Mr Clinton humorously acknowledged the force of some Republican positions in the wake of Tuesday's landslide. Imposing limits on the number of terms members of Congress may serve, he said with a smile, "looks better to me every day".

Other prominent Republicans could not resist attacking the president. Mr William Kristol, a leading party strategist close to Mr Gingrich, said Mr Clinton should publicly confess the error of his ways over the last two years and fully admit responsibility for the biggest Democratic party debacle in 50 years.

Further reports and analysis, Page 4
Editorial Comment, Page 15

Sears spins off Allstate insurance subsidiary

By Laurie Morse in Chicago

Sears, Roebuck, the US retailing giant, is to distribute its 80 per cent stake in Allstate Insurance to its shareholders in one of the largest ever US corporate spin-offs, valued at more than $8.5bn.

The move completes a two-year restructuring that has changed the Chicago-based group from a diversified merchandising and financial services conglomerate back to heing a pure retailer, which is how it began.

The company also announced yesterday that Mr Edward Brennan, aged 60, who has been Sears' chairman since 1986, is to retire when the Allstate spin-off is complete. The restructuring was started reluctantly by Mr Brennan under pressure from shareholder activists.

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Hit by earthquake ......Page 19

He has recommended that Mr Arthur Martinez, aged 50, the popular chairman of Sears' merchandising group, should succeed him.

Sears plans to distribute its remaining 360m shares in Allstate, one of America's leading property-casualty insurers, in a tax-free distribution to shareholders in mid-1995.

Sears sold an initial 19 per cent of Allstate's shares in a public flotation last year. It founded the insurance company in 1931 to sell auto insurance through Sears' catalogues and stores.

Last year Sears also sold Dean Witter Reynolds, the brokerage firm, and its property company, Coldwell Banker. Earlier this week the group disposed of its namesake Sears Tower in downtown Chicago to a group of mortgage holders, escaping from $850m in debt.

Sears said it was also considering selling its commercial property arm, Homart, next year. The husiness had 1993 revenues of $234m and losses from continuing operations of $11.4m.

Yesterday's announcements lifted Sears' share price by $2¾ in morning trading on the New York Stock Exchange, to $51⅛, while Allstate dipped $⅛ to $24⅛.

Shareholders will be given details of the spin-off next spring, but Sears common shareholders seem likely to receive almost one share of Allstate stock for each Sears share.

The company intends the aggregate dividends paid hy Allstate and Sears after the spin-off to equal Sears' current annual dividend of $1.60.

"Sears and Allstate are ready, and the economic environment is right, for these successful American franchises to operate as independent companies," said Mr Brennan.

Last year Allstate contributed $1.2bn to the Sears group's $1.7bn of earnings. But Allstate's bottom line has been shattered by $1.3bn in customer claims for earthquake losses this year, resulting in $845m in after-tax charges. Its net income for the first nine months of 1994 was $320.7m, or 71 cents a share, down sharply from last year's $1bn or $2.42 a share.

King Hussein of Jordan, right, on his first public visit to Israel, talks to prime minister Yitzhak Rabin at Tzemach, on the shore of the Sea of Galilee, after exchanging ratified copies of the Israel-Jordan peace treaty which they signed last month Picture: AP

Shooting halts IRA prisoner releases

By John Murray Brown in Dublin, David Owen, Jimmy Burns and Stewart Dalby

The Irish government yesterday abruptly rescinded the planned release of nine IRA prisoners before Christmas after two prominent republicans were arrested in Northern Ireland following the murder of a post office worker in an armed raid.

The fatal shooting, the first since the IRA and Loyalist paramilitaries declared ceasefires in September and October, cast a shadow over the Northern Ireland peace process. It is certain to increase pressure on London and Dublin to step up their efforts to secure a dismantling of paramilitary arsenals.

Dublin's decision to cancel the early release orders for the IRA prisoners was announced by Mrs Maire Geoghegan, the Irish justice minister, after a meeting with Mr Albert Reynolds, the Irish prime minister.

It came more than 24 hours after their release was first announced as part of the Irish government's response to the ceasefire.

Sir Patrick Mayhew, Northern Ireland secretary, said he was "deeply angered" by yesterday's "callous and wicked" murder.

He said there would be "very natural suspicions" as to the motive for the crime. The full circumstances would be rigorously investigated hy the Royal Ulster Constahulary. It demonstrated, he added, "the wanton dangers of illegally-held arms".

The attack took place in Newry. Three armed men dressed as postmen, and using a post office van, entered a fenced sorting centre in the town. An employee was shot dead. Two of the men were arrested after a chase involving helicopters close to the Irish border. The third escaped and was last night being sought by the RUC.

The RUC said the two men arrested were reported to he known Republicans. Bnt Sinn Féin indicated last night that the raid was not the work of the IRA and did not represent a breach of the two-month-old ceasefire.

Republican sources in South Armagh, a strong nationalist area, said the raid was the work of renegade, freelance republicans committing a straightforward criminal act.

Mr Gerry Adams, the president of Sinn Fe'in, was reported to be "visibly shaken" when told the news. He said: "The RUC is

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Russia set to impose HIV tests on foreign visitors

By Chrystia Freeland in Moscow

Foreigners entering Russia will be required to undergo HIV tests at the border or produce medical certificates showing they have not been exposed to tbe Aids virus, under legislation Moscow is expected to adopt soon.

A western diplomat said yesterday the European Union, US, Canada and Japan were considering a joint appeal to President Boris Yeltsin to urge him to veto the legislation. It would be the toughest law of its kind to be adopted by a large and influential country and could discourage business travellers and tourists.

Western diplomats are concerned about the technical difficulties Russian border officials might face in determining the validity of foreign medical certificates, and the health risks visitors might face if they undergo HIV tests in Russia, wbere needles are regularly reused and often poorly sterilised.

However, it will be difficult if not impossible for Mr Yeltsin to block the measure.

Officials at the parliamentary commission on health, which produced the draft law, said they were confident that the hill, which is scheduled for a third reading in the State Duma either today or next week, would be passed by the lower house.

It would then need to be endorsed by the Federation Council, the upper house, and signed by Mr Yeltsin. A presidential veto could be overruled by a two-thirds vote in the Duma, which parliamentary officials are certain they could muster.

The legislation, which in its second reading was opposed by only three of the 450 deputies in the Duma, has found reluctant supporters among Russian liberals. They fear that the nation'e collapsing healthcare system is too weak to protect the country against diseases which are a malign side-effect of growing contacts with the rest of the world.

Ms Svetlana Ulitskaya, the chief expert at the parliamentary commission on health, said: "We have an unpleasant choice. Either we can be civilised and let Aids into our country or we must look uncivilised and close the door."

Mr Valerii Mestnikov, another health commission official, said the Russian public were unconcerned about the potential damage the law might do to western investment and tourism: "The attitude of the people is that they haven't seen any positive results from western investment any way, so the law couldn't make any difference."

According to Professor Richard Clogg, a fellow at St Antony's College, Oxford, Russia more than a year ago began to require all travellers from the embattled Black Sea enclave of Abkhazia to undergo an HIV test at the Russian border.

CONTENTS

Portuguese diplomat to head WEU

By Bruce Clark, Diplomatic Correspondent

Mr Jose Cutiteiro, a senior Portuguese diplomat whnse candidacy enjoyed the support of Britain, was appointed yesterday to the top joh at the Western European Union, a nine-nation security clnh of growing importance.

The choice of Mr Cutileiro, 59, who joined the Portuguese foreign ministry after Lisbon's democratic revolntion in 1974, marked a success for London's driva to hnost Enrope's defences in a way that avoids weakening Nato.

Yesterday's choice of secretary general, taken by a meeting of ambassadors in Brussels, will be formally endorsed when WEU foretgn and defence ministers gather at Noordwijk in the Netherlands on Monday to discuss ways of upgrading tha organisatinn.

Two rival candidates – the Italian ambassador to Nato, Mr Giovanni Jannuzzi, and Mr Enrique Baron Crespo, a Spanish Sncialist politician – stepped aside after initial soundings showed that Germany had swung behind Mr Cutileiro.

France – the strongest advocate of an independent European defence capacity – initially backed Mr Jannuzzi but gave away after the Germans opted for the Portnguese candidate, who already enjnyed UK and Dutch backing.

Diptomats said the two unsnccessful candidates had decided not to insist on a definitive vote which wonld have damaged the fledgling institution's credihility.

"It would have looked bad if somebody had won in defiance of several major countries," one diplomat commented.

The WEU is already involved in naval operations to enforce the international emhargn against the former Yugoslav repnblics, and it is also setting up a police force in the divided city of Mostar.

Bnt its role – hitherto dwarfed by Nato – looks certain to grow as the US partially disengages from Europe and the European Union develops a common foreign and security policy.

Britain has set aside its earlier doubts about the organisation, and it now sees the WEU as a useful way of developing defence relations with its continental allies, inclnding France which is outside the military wing of Nato.

Mr Cutileiro – who woo acclaim in his homeland hy writing a doctoral thesis at Oxford University on inequality in sonthern Portugal – will have to hridge the gap between French zeal and British cantion over upgrading the WEU. But he comes np from a country whose views on European security overlap considerably with those of the UK.

Both Britain and Portngal want to avoid creating fissures in eastern Europe hy rnshing to draw some ex-commnnist states into the western security system while keeping others out. "We should not draw new lines in Europe," Mr Jose Mannel Dnrao Barroso, the Portuguese foreign minister, said in London last week. This viewpoint is broadly shared hy France, while it has some critics in Germany.

British and Portuguese officials are also adamant on the need to retain a US military presence io Europe, and tn avoid moves that would alienate Washington.

Both conntries oppose the idea of giviog oew members of the EU a "back door" intn the western defence structure by letting ihem join the WEU before they join Nato.

Bosnian Serbs wary of move to state of war

Relatives at a fnneral in Sarajevo yesterday comfort the father of a child killed by sbelling Reuter

By Paul Adams in Pale, Bosnia

With artillery fire occasionally andible in the distance, representatives of the Bosnian Serbs have gathered in this impoverished mountain resort to consider how much freedom of action to give their leader, Mr Radovan Karadzic.

Yesterday, after two days of debate behind firmly closed doors, it was clear that the Bosnian Serh "parliament" would stop well short of declaring a state of war throughout their territory in Bosnia, or suspending their own assembly.

Mr Karadzic – facing mixed fortunes on the battlefield, a boycott by his former protectors in Belgrade, and isolation from the wider world - would ideally like to be given *carte blanche* to wage all-out war.

But fearing a dilution of its authority, the makeshift assembly in Pale, above Sarajevo, has forced Mr Karadzic to limit the scope of any declaration of emergency rule to those areas most immediately at risk from the latest fighting.

Officials here say the formal state of war will only apply to some 50 per cent of Serb-controlled territory.

"Of course, you can always expect resistance," said an official close to the Pale leadership. "People got scared by all this talk of declaring war. But we have to prove to the Moslems that they cannot win."

Prying journalists were kept at arms length at the orders of the ever-vigilant Ms Sonja Karadzic, daughter of the Bosnian Serb leader.

Mr Karadzic said before the debate continned yesterday that he would assume certain decision-making powers from parliament, but insisted there was no question of the assembly being dissolved.

As the Serbs come under military pressure he needs to take care. Parliament has often been dismissed as a rubber stamp for the Bosnian Serb leadership, but it does represent Mr Karadzic's link with a population, part of which is not always necessarily behind him.

He cannot afford to be seen to be ignoring the interests of the representatives. Officials admit that ahsenteeism and hlack marketeering, sometimes across enemy lines, have resulted in military weakness.

The new measures will include more efficient mobilisation – somathing that has already begun – restrictions on the movement of civilians and the introduction of martial law. Local government will be concentrated in the hands of small groups of officials, directly answerable to Mr Karadzic. "It will not be a classic state of war, but a semi-state of war," the Bosnian Serb "foreign minister", Mr Aleksa Buha, said. "This is a very serious decision. We don't want to do it too fast."

Punishments for desertion and dereliction of duty are likely to be toughened.

On Wednesday, Mr Karadzic said a number of brigade commanders responsible for losing territory near the north-western enclave of Bihac had already been replaced for failing to ohey orders.

Since Serbia severed relations with the Bosnian Serbs in August, Mr Karadzic has conducted periodic purges of the army and police, aimed at rooting out those who might not think twice about taking their orders from Belgrade. An official in Pale said the dismissals were "a normal consequence" of the hreakdown in relations.

But it is clear that the Bosnian Serb leader's personal feud with President Slobodan Milosevic has led him, rightly or wrongly, to suspect those around him.

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Amato job splits Italy's coalition

By Robert Graham in Roma

Mr Giuliano Amato, the former Socialist premier, has heen appointed to head Italy's five-man anti-trust commission, the ultimate arhiter of any conflict of interest between the role of Mr Silvio Berlusconi as prime minister and his ownership of the Fininvest financial and media empire.

This is the first time the six-month-old Berlusconi government has offered a sensitive appointment to an opposition figure, and the move has divided the rightwing coalition.

But, given the unresolved conflict of interest between Mr Berlusconi's political and business roles, the move is a clear attampt to recover credibility. It represents a move hy moderates in the government to hring the coalition towards the middle ground and pave the way for an alliance with centrist parties in the opposition with whom Mr Amato identifies.

Significantly, the choice of Mr Amato to head the anti-trust commission follows the serious divisions within the rightwing coalition caused by the refusal to nominate Mr Giorgio Napolitano, previous speaker of the chamber of deputies and a member of the former communist Party of the Democratic Left (PDS), as one of Italy's two new European commissioners.

The decision to appoint Mr Amato was formally taken by Ms Irene Pivetti, the speaker of the chamber and member of the populist Northern League; hut it was hacked hy Mr Berlusconi. Yesterday, the move was criticised hy the neo-fascist MSI/Nattonal Alliance as well as hy individual memhers of the league and Mr Berlusconi's Forza Italia movement.

The appointment comes at a time when the government finds itself running into increasing problems of conflict of interest over the management of the Rai, Italy's troubled state broadcasting organisation. On Tuesday, the government approved the summary removal of Mr Gianni Billia, brought in only 95 days ago to be director-general of the Rai alongside Mrs Letizia Moratti, the new chairman.

Mr Billia felt uneasy abont Mrs Moratti's management style and the choice of programma and channel managers, several of whom had links to Mr Bettino Craxi, the former Socialist leader.

He also fell ont over Mrs Moratti's plans to sell off some of the Rai's transmission facilities which threaten to weaken the role state television could play in developing mnltimedia activities – and benefiting Mr Berlusconi's three commercial channels that account for almost half the national television audience. At least one other Rai board member has resigned and others could follow.

Gonzalez backed on favouritism allegations

By Tom Burns in Madrid

Mr Felipe González's minority government yesterday won the support of its Catalonian and Basqne political allies against allegations that the Spanish prime minister had favoured the husiness dealings of his brother-in-law.

Leaders of the Catalan and Basqne nationalist parties, whose votes keep the ruling Socialist party in power, endorsed the prime minister and accused the opposition conservative Partido Popular of seeking to make political capital out of false corruption allegations.

In an unprecedented cross-fire of accusations and denials, the Madrid newspaper El Mundo has been printing front page stories connecting Mr Francisco Palomino, a Seville businessman married to Mr González's sister, to government contracts, and on a daily basis the prime minister's spokesman has issued lengthy rebnttals of El Mundo's allegations.

The newspaper alleges that Mr Palomino sold a bankrupt boilermaking business owned by his family at a considerable prnfit to a company that subsequently hired him as a non-executive director and was engaged by the government to install electronic systems in a nnclear-proof hunker huilt alongside Mr González's official residence.

The allegations have heen attacked as "falsehoods" in a snccession of statements issned hy the prime minister's office and they have been called a "pack of lies" by Mr González. "I have never shown favouritism, nor do I intend to, nor have I ever been asked to," said the prime minister.

Mr Jordi Pujol, the Catalan nationalist leader, pledged to continne snpporting the Socialist party becanse it had won the 1993 elections and in order to ensure the "governahility" of the nation. Mr Pujol, whose executive in Catalonia also faces a series of corruption scandals, some of which are linked to jailed Barcelona financier Mr Javier de la Rosa, said he opposed the PP because the conservatives were unsympathetic to Catalan anthonomy and lacked alternative policies to those of the government.

Mr Iñaki Anasagasti, the parliamentary spokesman of the Basqne nattonalists, accused the conservative opposition of "bully boy tactics" for backing El Mundo's allegations and said he stood hy the "honesty of Felipe González".

The endorsements by the government's political allies snggest that the PP, who scored an outright victory over the Socialist party in June's European elections and maintain a 10-point lead in opinion polls, are no nearer unseating Mr González. Bnt the jury is out on whether the prime minister, who last night was dne to address the nation in a TV "fireside" chat, has won the propaganda battle with the public over his credihility.

EUROPEAN NEWS DIGEST

Yeltsin aide attacks budget

The battle between President Boris Yeltsin and his prime minister, Mr Victor Chernomyrdin, which has been waged through proxies over the past week in a prolonged cabinet shuffle, was stepped up yesterday when a senior presidential adviser attacked Mr Chernomyrdin's austere 1995 budget. Mr Alexander Livshits, a recently appointed Yeltsin adviser who was described by one Russian newspaper yesterday as more influential than any cabinet minister, told a press conference yesterday that the budget was too tough.

"The price of implementing such a budget will be too high," Mr Livshits said. "I don't think the end justifies the means." Mr Livshits criticised the government'a proposal to put a moratorium on the soft central bank credits which pushed the monthly inflation rate up to 15 per cent in October. He said the government's plan to raise money through bonds, which have recently experienced poor demand despite rapidly rising prices, was unrealistic. Mr Livshits said long-term plans to slash inflation to western levels were unrealistic. "I see no reason why wa should not have 15 to 20 per cent inflation a year in the next few years," he said.

When the csbinet endorsed it last month, the austere budget was hailed as a sign that Russia was at last prepared to swallow the tough fiscal and monetary medicine which has turned around the economies of eastern Europe. But it could be derailed by Mr Yeltsin'a covert criticisms and the even stiffer resistance it is expected to face when it is presented to parliament later this year. *Chrystia Freeland, Moscow*

Polish defence minister sacked

President Lech Walesa of Poland yesterday sacked Mr Piotr Kolodziejczyk, defence minister, at the request of Mr Waldemar Pawlak, the prime minister. The dismissal of Mr Kolodziejczyk – a 55-year-old retired navy admiral who has been defence minister since tha new leftist government was formed a year ago – follows a conflict between the civilian minister and the military over spending, reforms and control of the army. President Walesa had asked Mr Kolodziejczyk to resign after military officials criticised the minister during a meeting at a battlefield in Drawsko Pomorskie on September 30. The minister had refused and had the backing of parliament in what was seen as a struggia between the president and the cabinet over control of the military. However, Mr Pawlak yesterday unexpectedly wrote to the president requesting his dismissal. Mr Pawlak said Mr Kolodziejczyk had failed to "normalise the situation in the defence ministry". The move comes two days after Mr Joseph Kruzel, the US deputy assistant defence secretary, gave his backing to the minister on a visit to Poland. *AP, Warsaw*

Danes pick woman bank chief

Mrs Bodil Nyboe Andersen has been appointed to succeed Europe's longest serving central bank governor Mr Erik Hoffmeyer when he retires after three decades as head of Denmark's National Bank on January 1. Mrs Nyboe Andersen (left), 54, currently on the board of governors, is not expected to change bank policy. Her appointment will bring to five the number of women central bank governors in Europe. Woman are already in charge in Finland, Austria, Russia and Poland. Mrs Andersen is tha daughter of a former economy and trade minister and has been lecturer in economics at Copenhagen University. She was a member of the board of Andelsbanken bank and then Unibank before joining the central bank in 1990. Mr Hoffmeyer has been governor for 30 years and will leave the bank with the economy in good shape. *Hilary Barnes, Copenhagen*

Observer, Page 15

Flag law angers Hungarians

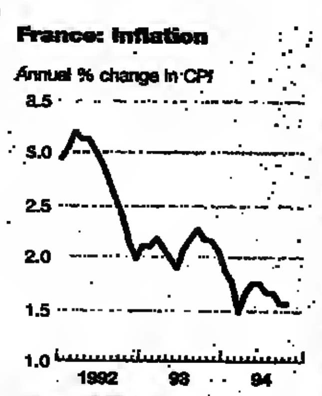
Ethnic Hungarians in Romania yesterday criticised a new law which provides for up to three years' jail for those flying foreign flags or singing foreign anthems in the ethnically mixed Balkan state. MPs from the ethnic Hungarian party said the provision, passed by parliament on Wednesday, was anti-democratic and violated European ethnic rights agreements. They said they would appeal to the country's constitutional court and to the Council of Europe. Parliament's decision is the latest sign of the growing influence of nationalist politicians who formally joined the left-wing minority government in Angust. It comes as the Senate, the upper house, is preparing a hill which would require foreigners to register with the police within 48 hours of arriving in Romania. It would also empower the interior ministry to restrict foreigners' movements on grounds auch as national security and "public morale". *Virginia Marsh, Budapest*

Thomson denies radar claims

Thomson-CSF of France yesterday denied allegations that in the course of winning its recent contract to supply Austria with 22 radars worth Sch1.2bn ($112m) it had tried to bribe a member of the governing Social Democrat party. The Austrian defence ministry confirmed that the Vienna prosecutor's office had been asked to investigate allegations in yesterday's edition of the weekly "News" that Thomson-CSF'a local representative had offered a Sch22m bribe to a Social Democrat official who refused the offer and informed the party's head, Chancellor Franz Vranitzky. The ministry said the award of the contract to the French electronics company, with Steyr as its local partner, was because its radars were "clearly superior" to those of the rival consortium of Ericsson of Sweden and Schrack of Austria. *David Buchan, Paris*

ECONOMIC WATCH

French inflation stays low



French consumer prices rose by between 0.2 per cent and 0.3 per cent last month, giving a relatively stable annual inflation rate of just under 1.7 per cent, according to Insee, tha national statistics office. The monthly rise, in line with axpectations, reflected an increase in prices for fresh foods. Most other sectors, inclnding manufactured goods and public sector services, showed a slower rate of increase than in October 1993. The release of the inflation statistics coincided with an Insee survey which showed a small decline in French consumer confidence last month. Officials said the decline reflected increased concern abont tha persistence of high unemployment, despite broader economic recovery. In September, unemployment increased by 14,000 to a record high of 3.35m, or 12.7 per cent of the workforce. *John Ridding, Paris*

■ Russia's economy showed the first signs of rebound in three years last month, with gross domestic product growing 4 per cent from October 1993 after falling 14 per cent year-on-year in September. Last year, GDP contracted by 12 per cent.

■ German retail sales in September rose a real 1 per cent from August, but year-on-year they were down 1 per cent.

■ Norway's consumer prices rose a stable 1.7 per cent in October year-on-year.

Strasbourg delays change of guard in Brussels

By Lionel Barber and David Gardner in Brussels

The European parliament has forced a delay in the inauguration of the new European Commission until late January, it emerged yesterday.

The delay means that Mr Jacques Delors will lead a caretaker regime probably until the last week of January, some three weeks after he was due to step down as Commission president.

One unexpected result is that he will have a cast-iron excuse for remaining silent about whether he intends to run for the French presidency in late spring. Most observers believe this will help Mr Delors, whose high standing in the polls is attributed partly to his absence from an increasingly messy battle for the Elysée.

The immediate impact, however, is that next week's planned Euro-parliamentary hearings to screen the new 21-member Commission are to be postponed until the first two weeks in January.

The Strasbourg assembly is expected to vote on whether to approve the full Commission, including Mr Jacques Santer, the new president, on January 18.

The hold-up is the result of a judicious muscle-flexing exercise by Mr Klaus Hänsch, the new president of the assembly.

It underlines his determination to use the leverage over the Commission and the member states offered by the Maastricht treaty, one of whose powers is to give Strasbourg the right to approve or reject the Commission as a whole.

During legal exchanges, the parliament insisted that the new Commission must be endorsed by an assembly drawn from all member states, including Austria, Finland, Sweden, and Norway.

All four countries are due to enter the European Union on January 1, assuming that voters in Sweden and Norway approve EU membership in referendums this month and the accession agreements are ratified by all 12 member states.

The parliament argued successfully that MEPs from Austria and the three Scandinavian states – who are temporarily designated by their national parliaments pending Euro-parliamentary elections scheduled for next year – would have no legal status until January 1 when enlargement takes place.

The hold-up is something of a blow to Mr Santer who had hoped to get off to a fast start with the new five-year Commission. Late last month, against expectations, he succeeded in allocating portfolios to the new commissioners with a minimum of controversy.

More broadly, the parliamentary delay is part of an institutional logjam which also threatens to delay ratification of the EU's five-year budget.

Member states were due to enshrine the spending plans into domestic law by the end of the year, but a combination of weak governments and political opposition in national legislatures could hold up passage.

Swedes reminded Quisling was pro-Europe

Hugh Carnegy sees the No campaign resort to theatre of the absurd as Sunday's EU referendum remains a tight race

Activists for the No campaign, buoyed by opinion polls showing them within sight of victory in Sweden's referendum on Sunday on European Union membership, were pulling few punches when they mounted a gala evening for undecided voters in Stockholm's City Theatre.

One after another, performers of "The People's Movement against the EU" invoked alarming images to press their case. One quoted from Vidkun Quisling, the hated Norwegian wartime leader who co-operated with the Nazis (most Norwegians consider neutral Sweden did likewise), to show he favoured European integration. Another sang powerfully at the gala last Sunday of Nadja, a child victim of war in Sarajevo, linking her fate to "the new Europe".

Claes Fredelius, a member of a Marxist group, went furthest. His indictment of the EU, traced back to Europe's murderous colonisation of the Americas, included a reference to the recent Estonia ferry disaster in which more than 800 Swedes perished. The connection to the EU was unclear, but the message was not: The EU is today's evil empire which threatens to trample Sweden's superior but fragile *folk hem* (people's home).

At its most extreme, the No campaign presents a maddingly difficult target for Mr Ingvar Carlsson, the Social Democratic prime minister, his allies (on the EU issue) in the right-of-centre opposition and the country's industrial and trade union leaders, despite their dominant position on Sweden's political heights.

> 'I think people are scared of the EU. They think Sweden will be too small inside'

The pro-EU message that membership will help stabilise an economy shaken by recession and give Sweden its share of influence in a reshaped Europe sounds at best mundane and at worst defeatist against the No side's appeal to preserve the traditional lofty Swedish ideals of neutrality, egalitarianism and universal welfare that were so long championed by Mr Carlsson's Social Democrats.

The old system may be creaking – with unemployment running at more than 13 per cent of the workforce and the welfare system threatened by a huge budget deficit equal to 13 per cent of gross national product – but many Swedes are still reluctant to accept that it cannot be made to work again.

Nor is there the same potency in Sweden, which has no border with Russia, to the worries about future developments in Moscow that helped produce the Yes vote in neighbouring Finland last month. So people hesitate to take a step that is seen as an irreversible move away from the "Swedish model".

Mr Tomas Segenas, who runs a small lunchtime cafe in Stockholm, is one of those people. "I think people are scared of the EU," he said this week. "They think Sweden will be too small inside the Union. Yes – they are afraid that Sweden's way of living will be changed."

No-one is more conscious of this feeling than Mr Carlsson, who inherited the leadership of the Social Democratic party in 1986 from the late Mr Olaf Palme, the very embodiment of the Swedish model. Only in 1991 did Mr Carlsson overturn decades of Social Democratic orthodoxy by lodging Sweden's application for membership.

But the persistent suspicion of the EU among Social Democrats – recent polls suggest fewer than half the party's supporters are convinced Yes voters – has led Mr Carlsson to run a low-key campaign ahead of Sunday's vote, allowing even members of his cabinet to campaign for a No. His judgment is that the way to win over the undecided is by quiet persuasion, not by coercion.

Yesterday, an opinion poll in the newspaper *Dagens Industri* showing the Yes side moving into a 52-48 per cent lead suggested he may well be proved right. But it is a high-risk strategy for there is much at stake on Sunday.

A No vote will make the government's most urgent task of filling the hole in the public finances more difficult. A sell-off of Swedish bonds and the krona will almost certainly drive up long-term interest rates, already well above European averages, requiring deeper spending cuts to control a state debt approaching 100 per cent of gross domestic product.

Sweden's big international companies such as Volvo, Ericsson and Electrolux are likely to continue a trend well-established for a decade or more of investing heavily inside the EU, not at home in Sweden. In sectors vital to Sweden such as the forestry and telecommunications industries, being inside the EU, able to influence policy and regulations on market conditions and standards, is of great importance.

Politically, too, much is at stake. Part of Mr Carlsson's low-key approach has been to protect his position should he be faced with a No vote. Having led the Social Democrats decisively back to power in September's general election, he would probably avoid a fall from power if there was a No vote.

But his authority and that of key pro-EU ministers such as

> 'Canada is satisfied with Nafta but nobody wants to join the US'

Mr Göran Persson, the finance minister, would be badly damaged. The initiative would shift to the anti-EU left of the Social Democratic party and, significantly, to the Left party and the Environment party, whose support the Social Democrats need for a parliamentary majority. The leftwingers oppose fiscal measures which hit the welfare system.

Other economic policies currently being reviewed by the Social Democrats, such as privatisation of Telia, the state telecommunications company, and energy deregulation, would face sharper opposition.

On Sunday, many of the large numbers of still undecided voters who will determine the outcome may ultimately chose instead to trust the unanimous verdict of Mr Carlsson, Mr Carl Bildt, the former conservative prime minister, and Sweden's industrial leaders that EU membership is essential for Sweden's economic renaissance. But they will face a tough fight to the finish.

In the No campaign's scruffy office in the southern city of Malmo last week, Mr Henrik Skrak, the No side's chief local organiser, made the case that Sweden's economy was returning to growth this year precisely because it abandoned in 1992 the EU-oriented policy of pegging its currency to the Ecu. "Canada depends on exports to the US and is satisfied with the North American Free Trade Agreement. Nobody in Canada wants to join the US. Why should we join a united Europe?" he declared.

Writer Stefan Heym, 81, who won a seat on the ex-communists' ticket, opening the parliament session in Berlin as the oldest MP *Reuter*

Jewish writer hears old echoes in the new Germany's Reichstag

By Judy Dempsey in Berlin

As befits his age, Mr Stefan Heym walked slowly up to the podium of the Reichstag in Berlin yesterday. Aged 81, the doyen of east German writers had been given the privilege of delivering the opening speech of the new German parliamentary session, as the oldest of the 672 deputies elected to the Bundestag last month.

The walk to begin his address was heavy with the symbolism and bitterness of Germany's division and subsequent reunification.

Mr Heym fled Nazi Germany as a Jewish refugee, fought on the side of the Americans against his country during the second world war, and returned to east Germany in 1952, disillusioned with the McCarthy witch-hunts. The communist regime tolerated him as its most truculent writer, but refused to publish his increasingly critical novels.

But Mr Heym is an independent deputy backed by the reformed communist Party of Democratic Socialism (PDS), and thus an enemy of the country's conservative government. Not surprisingly, hours before he was due to speak, Mrs Rita Süssmuth, Bundestag president, received a letter from Berlin's Central Investigating Office alleging Mr Heym had given the Stasi – the former East German secret police – information about an east German trade unionist who had fled to west Berlin but was subsequently kidnapped by the Stasi in the 1950s. Mr Heym said he had never knowingly given the Stasi information.

It was a grim Reichstag that waited for him to begin speaking. He asked for greater understanding and unity between east and west Germans but dwelt, embarrassingly, on the past. "I have always asked why the euphoria of German unification has gone so quickly," he said.

"The people of east Germany freed themselves. But there were people who had weapons to defend the old, unloved system. They did not use these weapons. We should take this into account when we judge them," he said, making an implicit plea for a partial amnesty for those accused of collaborating with the Stasi.

Chancellor Helmut Kohl's Christian Democratic Union, and the Christian Social Union, its Bavarian sister party, refused to applaud. "It was a hard decision not to applaud him," said Mr Rolf Kiefer, CDU spokesman. "Heym went on about the crisis instead of looking at the good things of unification. He never talked about the oppression of the old dictatorship." But Mr Jürgen Möllemann, the maverick member of the Free Democrats, the junior partner in the coalition, said "the speech was more moderate than I had expected. I applauded."

The only ones who applauded *en masse* were the PDS, and the opposition Social Democrats, who, in 1990, had opposed German unification.

Germans flexible at last on credit cards

By Michael Lindemann in Bonn

The international credit card may finally have found a home in Germany despite the best efforts of the German banks to stop it happening.

Credit cards have, for years, had doors slammed in their faces as Germany clung to its cash and cheque culture. In restaurants, waiters would take offence at the sight of a card. Shops cashiers would simply refuse to take them. Even now, despite having made some ponderous headway, there are still just 9m cardholders in Germany compared with an estimated 37m in the UK.

Now Deutsche Bahn (DB), the state-owned railways, will turn its popular railcard into a joint venture with Citibank, the US bank which is one of the world's largest providers of credit cards, offering travellers all the advantages of a Visa card.

The Bahncard or railcard, which offers half-price travel on the entire network, was introduced a couple of years ago and already has 3m customers. Both DB and Citibank forecast Bahncard sales will rise significantly with the new attractions.

Foreign banks have accused the Germans of using every trick in the book to keep their cards out of the market.

Citibank says it made DB an offer at the beginning of the year.

The railways, one of the symbols of German efficiency and effective state stewardship, have been turned into a joint stock company as a first step towards privatisation and were having to look at new ways of making money, especially as administering the Bahncard was costing them about DM20m (£8m) annually.

Other banks made alternative offers and a final decision was expected in September.

But then, as Mr Volkert Mindermann, a spokesman for Citibank, put it, "in the middle of the night" there was an offer from the *Gesellschaft für Zahlungssysteme (GZS)*, a peculiarly German organisation set up by all the domestic banks to manage Eurocard, the leading credit card in Germany which has around two-thirds market share.

GZS, representative of the collective nervousness of its owners at a large and emblematic foreign intrusion into the local credit card market, apparently offered to hand the entire annual revenues from the card – estimated at around DM150m – to DB if it were given the

> 'It's a question of habit. Germany is very much a cash society. It was also difficult when cheques were first introduced and more difficult to get people to use cash machines'

business. But they reckoned without the federal monopoly authorities in Berlin who began making enquiries to see whether GZS might be creating a cartel (being operated by too many banks), and before they could open a formal investigation, the Eurocard offer was withdrawn.

"The German banking community is still fighting against credit cards," Mr Mindermann said.

"They think everything can be done with the Eurocheque card and they'll try anything to keep foreigners like Citibank out," he said.

Citibank also estimates it will have revenues of between DM100-DM150m a year which it will share with DB. "But we need to keep some of the money to cover our costs," Mr Mindermann said. But while Citibank has succeeded in ripping a large hole in the fenced off German market, it may be a while before other credit card companies will be able to slip through it.

American Express, which has just 1.2m cardholders in Germany, is still locked in a court battle with the *Zentrale zur Bekämpfung unlauteren Wettbewerbs* - a title which translates as the Centre for Combating Unfair Competition - an organisation which has been policing German competition law since early this century.

This tight policing probably does not surprise American Express. "It's a question of habit," says a local Amex official. "Germany is very much a cash society.

"It was also difficult when they first introduced cheques and it was even more difficult to persuade people to use cash machines" in the eighties, she said.

The Zentrale hauled American Express in a year ago for offering another company's products (free flights) in an attempt to boost its own sales. That, said the Zentrale, was a breach of the *Zugabeverordnung*, a law which forbids the offer of free gifts with the sale of goods.

American Express has since had to stop marketing the promotion.

They are still "optimistic" that they will win the court case but are wondering why the Zentrale has not, in the meantime, taken action against Lufthansa, the national carrier which offers a promotional package including car rental and hotel stays from companies which are not their own.

American Express would not comment.

But it may just be that the German national carrier is having a blind eye turned towards it, while outside competitors remain in the fixed gaze of the authorities.

NEWS: THE AMERICAS

Budget policy swings in political wind

Republicans' election success leaves future direction in doubt, writes George Graham in Washington

Clinton: stern test on budget cutting measures

The Republican takeover of Congress has left fiscal experts and financial market analysts in doubt over the future of the US budget policy.

Is Washington about to embark on a frenzy of tax cuts that could widen the deficit dramatically unless offset by the kind of aevere spending cuts that neither Republicans nor Democrats have evar shown any real inclination to undertake?

Will the fiscal restraint begun by President Bill Clinton's 1993 budget continue as Republicans follow through on their promise to amend the US constitution to require a balanced federal budget, and take the steps necessary to achieve that balance?

Or will gridlock set in, leaving the US with its current, relatively moderate budget deficit bot with severe fiscal imbalances in the longer term unaddressed?

At its most extreme, the new Republican majority in Congress inclndes members such as Congressman Dick Armey, a confirmed supply-side economics professor from north Texas who wants a flat income tax rata, and believes that tax cuts will pay for themaelves because of the additional revenue they produce.

But Mr Clinton warned in his press conference the day after the Republicans' crushing election victory that he would "do all in my power to keep anyone from jeopardising this economic recovery by taking us back to the policies that failed before" and produced the rising deficits of the 1980s.

The House Republicans' "Contract with America" promises measures that would rednce government revenue, such as a $500 per child tax credit, lower tax rates on capital gains and a higher earnings thresbold before older Americans still working lose their social security pension benefits.

But, although it promises a balanced budget constitutional amendment, it offers no specifics of the spending cuts that would be needed to balance the budget. Republican candidates have individually been assuring their constituents that they would not touch social security, Medicare, agricultural subsidies or veterans' benefits, which together account for 66 per cent of federal spending.

Mr Clinton may have critical snpport from some Republicans wbose priority is fiscal discipline rather than aupply side atimulus.

Senator Pete Domenici of New Mexico, who will take over as chairman of the Senate budget committee, is a noted fiscal hawk who has stood out from his party colleagues by his willingness to contemplate higher taxes as a means of bringing the budget deficit under control. He will not have much support for that position, but ia likely to serva as an important brake on his colleagues' tax-cutting zeal.

Congressman Bill Archer of Texas, who will have direct control over tax policy as the new chairman of the House Ways and Means committee, stands between the two positions – though closer to his fellow Texan tban to Mr Domenici. He concurs with the supply side analysis of a cut in capital gains tax rates – and also wants to index capital gains to inflation – but insists oo keeping the current Budget Act rules which require any measure involving a loss in tax revenue to be offset by spending cuts or other tax increases.

"It's a discipline we must apply to the members of the Congress," be said yesterday.

"Revenue scoring" – determining wbether a measure will increase or reduce the government deficit – is an esoteric science conducted principally by the Joint Committee on Taxation, a Senate-House organisation whicb will be taken over by Mr Archer and Senator Bob Packwood, the new chairman of the Senate finance committee, and may therefore be expected to change some of its methodology.

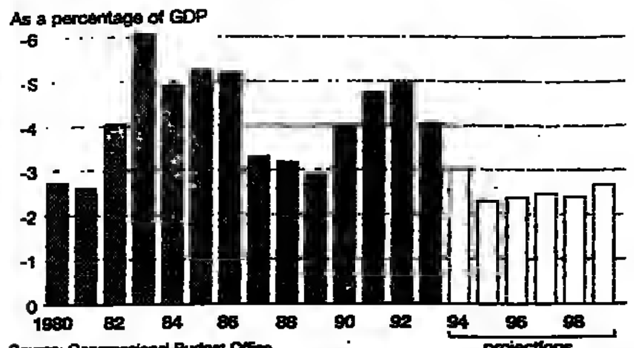
Past studies have suggested that while a lower capital gains tax increases revenue in the short term and rednces it over the medium term, its long run effect is close to neutral.

But an administration analysis of the Republicans' promise to index capital gains and exclude 50 per cent of gains from tax showed the measure to lose $30bo over four years.

Scoring could thus become a crucial battleground between the White House and the Congress, with accusations of "smoke and mirrors" flying freely.

In the new political environment, the commission on entitlements chaired by Democratic Senator Bob Kerrey of Nebraska and retiring Republican Senator John Danforth of Missouri could play an unexpectedly important role.

It was once viewed as a sop from the White House to Mr Kerrey in exchange for his vote on the 1993 bndget, but its findings could now attract mnch wider support.



Source: Congressional Budget Office

More than a sop to Senator Kerrey

Candidates count on the absentee vote

By Jurek Martin in Washington

The outcome of a handful of elections, including for the Senate in California and the governorship in Maryland, still hung in the balance yesterday, awaiting recounts and the tallying of absentee ballots.

The California numbers still heavily favour the return of Senator Dianne Feinstein, the Democrat, over Congressman Michael Huffington. Bnt neither had officially claimed victory or conceded defeat.

There are an estimated 400,000 absentee votes to be counted in California. With all atate precincts reported, Ms Feinstein had 3,608,497 votes to Mr Huffington's 3,484,887. The Republican would have to take about two-thirds of those still outstanding to overcome his deficit; unlikely given the closeness of the race.

But it was much tighter in Maryland, with about 40,000 absentee ballots. Mr Parris Glendening, Democrat, led Mrs Ellen Sauerbrey by just over 6,000 votes (683,995 - 677,808). State officials said most still to be counted came from counties where he had run strongest, but neither side was taking anything for granted.

The tightest race of all, in which a recount was ordered yesterday, involved Congressman Sam Gejdenson, the Democrat from Connecticut known for investigations into US sales to Iraq before the 1991 Gulf war. The official tally had him winning by just two votes over Mr Edward Munster.

It was still technically possible for Mr Tom Foley, the outgoing Speaker, to hold on to his Washington seat. But his qualified concession on Wednesday to Mr George Nethercutt recognised that a 2,274 vote shortfall was unlikely to be reversed by absentee ballots of at most double that number.

With six House seats nationwide atill undecided, the line-up stands at 228 Republicans, 200 Democrats and one independent, compared to the pre-election 256 Democrats, 178 Republicans and the same non-party representative, Mr Bernie Sanders of Vermont, who squeaked back by just over 7,000 votes out of 200,000 cast.

Probably the most remarkable demographic discovery of the exit polls was the widening of the gender gap. Nationally, about 54 per cent of men voted Republican, with the same percentage of women preferring Democrats, the biggest difference in polling history.

In some key races the split was even wider and occasionally decisive, with white male voters, many influenced by the conservative Christian Coalition and the pro-gun lobby, turning out in force. Though they may yet lose, Mr Huffington got 59 per cent of white male support and Mrs Sauerbrey 58 per cent, while no less than two out of three supported Mr George W Bush Jr, conqueror of Governor Ann Richards in Texas.

In Virginia, where the religious right is particularly strong, Mr Oliver North outpolled Senator Chuck Robb by 46-43 per cent among men, but not enough to overcome his 48-41 deficit among women.

Clinton blames defeat on message of hostility

By Nancy Dunne
in Washington

President Bill Clinton yesterday attributed the Republicans' crushing victory in this week's mid-term elections to the party's success in fostering hostility towards government. Their message is no longer as it was in the 1980s that government is the problem, "now government is the enemy", he said.

Speaking at Georgetown University, his alma mater and the site of many of his most defining campaign speeches, the president seemed more philosophical than bitter about the huge Democratic losses on Tuesday.

He ticked off his administration's domestic and foreign policy achievements, conclnding that "in an ordinary time, that record would have generated support for the congressmen and women who made it".

But these are not ordinary times, he said. Voters are made insecure by the "relentless and dynamic" pressures of the global economy. "On Tuesday, the voters reflected their frustration with the pace of change and the messy and often, to them, almost revolting process by which it was made," he said. The president again took some of the responsibility "for policies and political decisions that hurt our candidates". Term limits – a key point in the Republican's mid-term platform – are "looking better every day", he joked.

On trade, Mr Clinton said that the US has "never been in a stronger economic position" to meet the challenges of foreign competition. However, "for many people, trade still appears to be a gale-force wind, another threat ready to blow away the prospects of a stable job at a good wage."

Mr Clinton expressed confidence that the Uruguay Round implementing legislation would be approved by Congress later this month. He likened it to the League of Nations which the US Congress failed to approve after the first world war. "When the US failed to engage we paid a terrible price and so did the rest of the world in economic stagnation, isolation and eventually another world war," he said.

Next week, at the meeting of the Asian Pacific Economic Co-operation group he hoped "to move from a common vision to a common direction... to set concrete goals to open the way for doing business in Asia". He expected the leaders to set a "target date" for achieving free trade in the region.

He would take up human rights questions during the visit but did not expect any "sudden" breakthrough.

More conservative views in Washington will irritate Aristide, writes Canute James

Haitians fear weakening of US support

Haitian officials fear the Republican party's sweeping success in this week's mid-term elections threatens continued US support for their country.

Officials in the new administration of Mr Smarck Michel, the prime minister, are worried that Republican lawmakers, many of whom bave opposed President Bill Clinton's policy of military and economic support for Haiti, will demand a rapid reduction in American involvement.

With Republican control of the US House of Representatives and the Senate from January, the officials said yesterday, it was likely that a timetable would be approved for an early withdrawal of US troops from the Caribbean state, creating a security vacuum before the planned 10,000-member Haitian police force was recruited and trained.

This could create instability in the country, where law and order is being maintained by foreign troops and police monitors, they say.

The economic reforms planned by the government may also be threatened by a harder line from the Republican controlled legislature. The US is the main donor to a $800m aid package which international financial institutions and the Haitian governmeot agree is needed to start rebuilding the economy and the social and physical infrastructure over the next 15 months.

A more conservative attitude to Haiti by US lawmakers in the New Year is likely to irritate President Jean-Bertrand Aristide, who is banking on US support for the remaining 14 months of his administration, diplomats in Port-au-Prince suggested yesterday.

Clinton has succeeded so far but now he will be swimming upstream

Without a clear commitment on continuing support from Washington, Mr Aristide may be inclined to reconsider the political merits of some of the administrative and economic reforms to which he is now committed, particularly those likely to be unpopular.

However, a more optimistic position is being taken by US officials in Haiti. "I think the support for President Aristide and the restoration of democracy in Haiti will continue to be US policy," said Mr Stanley Schrager, a spokesman for the US embassy in Port-au-Prince. "Thus far it has been successful and we would bope that success would continue in the future and that all Americans will continue to support it."

This is apparently no comfort to the new Haitian administration. Officials say President Clinton had to ride roughshod over the more liberal outgoing Democrat-controlled legislature to secure US military pressure to force Haiti's army leaders out of the country and assure Mr Aristide's reinstatement.

"The one factor which Mr Clinton has going for his Haiti policy is that it has been a foreign policy success so far," said a diplomat to Port-au-Prince yesterday. "But now he will be swimming upstream on this issue. This apparent success might be undone before it is guaranteed – which must be with the installation of Mr Aristide's successor in February 1996."

A key player in Washington's Haiti policy in the new legislature will be Mr Jesse Helms, the Republic senator from North Carolina, who is likely to become chairman of the Senate foreign relations committee. Senator Helms has been a consistent and harsh critic of Mr Aristide, and has publicly questioned the president's mental stability.

Meanwhile, the new government's priority is to jump-start Haiti's economy, Mr Michel said. The adjustment of the economy will be done on the basis of "democracy, justice and tolerance," with the public sector being rebuilt, and social services rehabilitated. One immediate government concern is public health. Maternal and infant mortality are increasing, and there is a high incidence of tuberculosis.

The new government will try to stimulate economic growth by an early reform of import tariffs in order to eliminate monopolies. State enterprises and services which are to be privatised will be sold to companies and individuals who will be capable of running them efficiently, the prime minister said.

Bolivia needs $2bn to stem cocaine output

Bolivia needs at least $2bn in foreign aid to begin eradicating its illegal but lucrative cocaine industry, the country'a president said yesterday, AP reports from La Paz.

President Gonzalo Sanchez de Lozada said at a news conference thet the government had a plan to replace coca leaf production – the raw material processed into cocaine – with other cash crops and industry.

"We cannot wait for the demand side of cocaine to be resolved; it is important that we deal with the prodnction side," he said.

"It is more convenient to invest $1m in development and substituting coca fields than $1bn in reducing demand and combating drug traffickers."

The success of the government's plan is dependent on foreign aid of at least $2bn and the consensus of Bolivian society, Mr Sanchez de Lozada said. The plan would convert the main coca leaf producing region of Chapare into an industrial park to be developed with the active participation of private business.

A meeting of the country's top political leaders is set for next week to discuss and reach a consensus on this plan.

At least 300,000 people in the Chapare region depend on coca cultivation for their livelihood. Coca leaf has been grown for centuries in Bolivia; it is used as a tea for religious rites and chewed by farmers and miners to help combat the effects of high altitude and hunger.

Most of the leaf devoted to traditional uses is grown on the eastern slopes of tbe Andes, while tha coca for cocaine – about 40,000 hectares – is grown in the Chapare, a lush sub-tropical region in the middle of the country.

Farmers say no other crop provides the income and assured markets

Coca leaf farmers say that no other crop provides the income and assured markets and have resisted switching from coca to other crops until they are convinced they can earn the same.

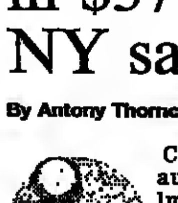
The plan includes converting fields to other crops, relocating farmers to other regions of the country and establishing industrial plants in areas not suitable for farming. The government has begun negotiations with the Inter-American Development Bank, the World Bank and the United Nations to finance this programme.

Bolivia, an impoverished country of 7m people, produces an estimated quarter of the world's coca leaf that is processed into cocaine.

SALEROOM

Christie's in $37.5m NY sale

By Antony Thorncroft



Christie's auction of Impressionist and Modern art in New York on Wednesday night was a success, totalling $37.5m (£23.4m). A total 44 of the 57 lots on offer found buyers, and 11 sold for more than $1m. This is firm evidence that the art market is recovering its nerve. The Republican mid-term electoral victories helped to make the American rich feel that bit richer.

The star lot was a decorative oil by Toulouse-Lautrec of a ballet dancer adjusting her tights. It sold for $4.78m (£3m), well over double its estimate. In contrast, the most highly rated item, the last circular version by Monet of his favourite subject, *Nymphéas* (Waterlilies), still in private hands, sold for just $3.3m, well below its $4m-$6m estimate.

Nymphéas had decorated the Manhattan apartment of the late Alice Tully and Christie's had guaranteed her executors a fixed sum, reputedly around $25m, for the chance to sell her collection. Fortunately for Christie's all five Tully pictures in this auction found buyers.

Another painting which carried a guarantee, one of six of the same model painted by Corot when confined to his studio with gout, also sold below target, for $1.43m as against the $1.8m-$2.2m estimate.

Cuba and the IMF compare notes

Pascal Fletcher explores the significance of visits from a much pilloried institution

Fidel Castro: his socialist country was left like an orphan

Cuba has long pilloried the International Monetary Fund as the torchbearer of neo-liberal capitalism. It regularly blamed IMF "shock remedies" for causing hunger, unemployment and poverty across the Third World, especially Latin America.

The fact that a senior IMF official should have visited Cuba twice over the last year is, then, intriguing.

The "non-official" visits by IMF executive director Mr Jacques de Groote late last year and early this year do not mean that Cuba, which left the Fund in the early 1960s, is trying to re-join, at least not yet.

For one thing, the US maintains a blocking objection to Cuban membership as part of its economic sanctions against Cuba's one-party socialist government.

But the IMF contacts do reflect an important shift in Cuba's economic policy since the country was left like an orphan in the world economy after the disappearance of its protector, the formar Soviet Union.

Not only is Cuba trying to beat its recession by implemanting reforma the IMF would not disown, but it is also signalling clearly, perhaps as much through necessity as conviction, that it wants to come out of the cold and back into the mainstream of the world economic community.

"Whether we like it or not, [the IMF] is a leading institution in the world economy and so it is a must for us to know about it," Mr Raul Amado Blanco, vice-preaident of the National Bank of Cuba, the cental bank, said in an interview.

He said the IMF officials who visited were briefed about Cuba'a reform moves. Cuba learned bow the IMF and World Bank had helped other command economies in eastern Europe and Asia move towards market-oriented policies.

But aenior Cuban officials are careful to put limits on the rapprochement with the IMF and on just how far Cuba inteods to go in its reforms.

Mr Amado Blanco said rejoining the Bretton Woods institutions was not being actively considered. "We would have to be convinced of the usefulness [of rejoining]... whether it would really signify a contribution to our political and economic policies," he said.

Cuba's vice-president, Mr Carlos Lage, said Cuba was ready to discuss economic options with the IMF, the World Bank and anybody else. "That doesn't mean we are ready to do what these institutions dictate."

Nevertheless, the economic reforms being introduced by Cuba would not be out of place in an IMF or World Bank policy manual. They include cuts in aubaidies to loss-making state companies, selective prica increases, farm reforms, currency reform, decentralisation of decision-making, the imposition of taxes, moves to control liquidity and an assault on the yawning budget deficit.

Many of the changes, such as the recent authorisation of public markets for farm produce and consumer goods, also reflect recommendations made by a team of Spanish experts led by Spain's former finance minister Mr Carlos Solchaga.

"Cuba is making a serious structural adjustment effort," Juan Triana, deputy director of Havana University's Centre for Studies on the World Economy, said.

The budget deficit, which in 1993 stood at 4.2bn pesos, has already been reduced by some 25 per cent this year. The glut of Cuban pesos sluicing around the economy, estimated at nearly 12bn pesos in circulation at the end of April, has already baen cut by 1.3bn pesos, according to tbe central bank.

The moves, also aimed at throttling the black markat, have caused a tightening of the level of pesos in circulation and a fall in the black market value of one dollar to less than 50 pesos from past lows of more than 100. Putting buying power back into the peso is one of the objectives.

Cuban officials insist the on-going reforms differ from IMF remedies. They say the state is keeping a dominant, controlling economic role and social concerns are paramount.

"We have a strategy... it'a not a strategy of capitalist development... it'a a strategy of a planned, socialist economy," said Mr Lage, who is viewed as the main architect of Cuba's economic reforms.

He said Cuba would preserve "the essentials" of its socialist system – official shorthand for free, universal health, education and other social services.

At the same time, however, Mr Lage announced Cuba was opening up more of its economy to foreign investment, namely real estate and sugar production to foreign investment.

Many foreign economists, however, say Cuba needs to go further, faster. The IMF's Mr de Groota noted after his November 1993 visit the Cuban authorities were "still hesitating over the basic issua of allowing more private property and individual decision-making in the economy".

The Spanish team led by Mr Solchaga, in a report in June this year, said Cuba "must start to help itself" by moving faster to dismantle rigid economic structures and opening np more private business opportunities to Cubans.

Mr Lage hinted the government was working on currency reform, expected to be the introduction of a convertibla peso, and was also considering widening the legalisation on private, self-employment for Cubans.

Concerns over social unrest, like the unprecedented street disturbances in Havana on August 5, are undoubtedly giving impetus to the reforms. So too is the prospect of another record low sugar harvest, the third in a row for Cuba'a sugar-based economy.

Cuba also desperately needs fresh external credits, which have all but dried np since Paris Club official creditors' rescheduling talks on the convertible currency debt of more than $7bn stalled in the second half of the 1980s.

NEWS: WORLD TRADE

Apec officials agree on code for investors

By Peter Montagnon in Jakarta

Senior officials of the 18 countries in the Asia-Pacific Economic Co-operation forum agreed late last night on the text of a new code on foreign direct investment in a move that removed, for the time being, a serious block to progress on trade liberalisation at their meeting here.

"We have reached a constructive conclusion," said Mr Peter Adams of New Zealand, co-chairman of the group which has been struggling to resolve differences over investment all week. Neither he nor other delegates would comment on details of the agreement, but US officials, who had objected to an earlier draft on the grounds that it was too weak, said they were pleased with the outcome.

The text must be approved by Apec ministers who start formal talks here today in the run-up to next week's summit. Several officials warned that the agreement could not be regarded as final since ministers might want to change the text. But they said they had managed to reach agreement on a unified text which should prevent the politicians becoming bogged down in their own contentious drafting process.

A row over the investment code has been simmering here all week as Washington sought stronger wording on several clauses. Although the code is non-binding, the US was worried that the original draft offered international investors insufficient protection against regulatory discrimination by the host government. The US felt the code also lacked teeth in combating restrictions on repatriation of profits and the imposition of arbitrary export performance standards.

Part of the problem was that the original draft was weaker in this regard than a similar agreement reached in the Uruguay Round. Right up till last night, however, differences within Apec had threatened to create an impasse even before the summit began.

Agreement at the official level will improve the mood of today's opening ministerial meeting, but there is no guarantee that this technical advance will make it easier to resolve deep-seated differences over the timetable for full liberalisation of trade in the Asia-Pacific region.

Officials said they had not begun to consider the target date of 2020 proposed by Apec's independent group of eminent persons. This is being left for heads of state at their meeting here next week, but Mr Fred Bergsten, the US economist who chaired the eminent persons group, said last night he was optimistic that a decision could be reached.

Mr Bergsten said that the Republican victory in this week's congressional elections might make the conduct of US trade policy easier. The Republicans will want to show they can work with the Clinton administration, he said, and they have fewer disagreements on trade and foreign policy than on domestic issues.

US-Japan trade talks to resume

The US and Japan have agreed to resnme negotiations on opening np Japan's car market and decided to make another try at strikiog a long-awaited glass deal, Reuter reports from Jakarta.

Mr Mickey Kantor, US trade representative, secured the commitment to new negotiations after a two-hour meeting with Mr Ryutaro Hashimoto, his Japanese coonterpart. "Our meeting was very positive," said Mr Kantor. "We have agreed to re-engage on the full range of anto and auto parts issues." Mr Hashimoto, and Mr Kantor are in Jakarta for broader Asia-Pacific talks. "It's always helpful to meet. We will move forward as rapidly as we can," said Mr Kantor, noting there were "separate potential solutions" to each part of the sprawling car sector.

Altogether, cars and car parts make np 60 per cent of the lopsided two-way trade flow, despite repeated efforts to strike a deal and cut the $60bn imbalance. Mr Kantor said no time had been set for the car talks but lower level officials would meet on December 5-6, to try to iron out differences over Japan's $4.5bn flat glass market.

Failure to ratify Uruguay Round could put trading system in jeopardy

Sutherland warns of US 'mortal blow'

By Frances Williams in Geneva

Failure by the US to ratify the Uruguay Round global trade accords this year would deal a "mortal blow" to the international trading system, Mr Peter Sutherland, the director-general of the General Agreement on Tariffs and Trade, said yesterday.

Speaking at the launch of a Gatt study which shows an annual $510bn potential income boost to the world economy from the Uruguay Round, Mr Sutherland said postponement of the US decision was not an option. World leaders had committed themselves to bringing the round, and the World Trade Organisation, Gatt's successor, into force oext January. Failure to do so could destroy the results of eight years of negotiations.

"It would be inconceivable that a country that has so much to gain from the Uruguay Round could strike a mortal blow to the system by putting off the debate," he said. The Gatt report says trade liberalisation in goods alone could add over $120bo a year to US national income by 2005, more than a fifth of the total.

US "fast-track" anthority, under which Congress votes on the Uruguay Round implementing legislation without amendment, is due to expire st the end of this year. Without this anthority legislators could pick the accord to pieces, effectively killing it.

The Gatt chief said it was very difficult to see the WTO coming into existence without the US, which was most countries' biggest trading partner. The consequences of a failure to ratify on time by any of the leading traders would be "extremely serious and very, very dangerous for the world economy".

Not only would the world lose the benefits of the Uruguay Round. The effect would be ultimately to destroy the trading system bnilt up so painstakingly since the last war. "The whole multilateral system would be extremely seriously – mortally, I would say – damaged," he said.

The world income gain from Uruguay Round liberalisation of trade in goods shown in the latest Gatt report is twice the annual $235bn estimated earlier this year. Gatt's new economic model tries to capture the effects of increased competition in domestic markets, scale economies from expanded world markets and the "dynamic" impact of higber income on savings and investment.

Of the extra global income of $510bn a year under Gatt's "most plausible" set of estimates, nearly two-thirds results from reductions in non-tariff barriers. Of these, the most important is the phase-out of the Multi-Fibre Arrangement governing trade in textiles and clothing, which could greatly reduce prices for consumers in the US and Europe and treble world exports.

Cuts in industrial tariffs contribute about a quarter of the gains, partly through price cuts in domestic markets and partly through increased exports. Reductions in farm trade barriers account for about 10 per cent.

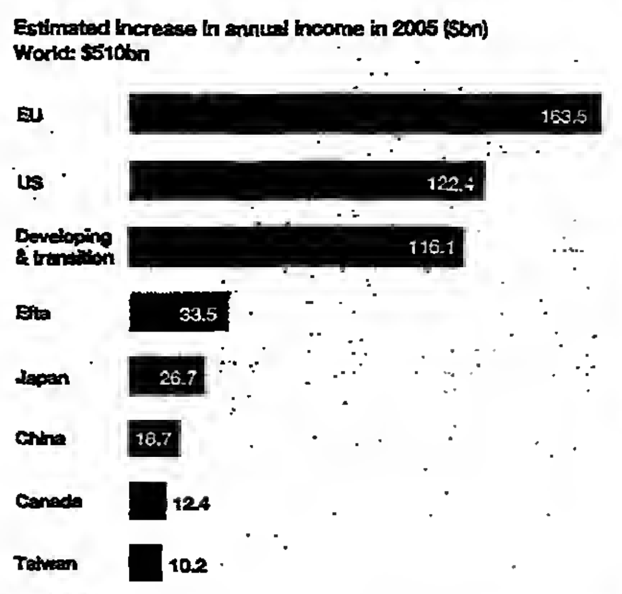
On a country basis, the US is the biggest single beneficiary, reaping an income gain of $122bn a year by 2005, while the European Union benefits by over $163bn a year. In both cases, ths bulk of the gains come from lowering non-tariff barriers, especially scrapping MFA restrictions and, in the EU's case, ending curbs on car imports from Japan.

Japan will have an income boost of $27bn a year, the smaller figure in part reflecting its already low industrial tariffs and absence of MFA restrictions. Developing and transition economics, excluding China and Taiwan, gain $116bn a year. China could benefit to the tune of nearly $20bn a year and Taiwan by over $10bn.

The report stresses that even its new estimates are likely to understate substantially the benefits of the Uruguay Round because they do not take account of liberalisation in trade in services, and the impact of strengthened trade rules and dispute settlement procedures.

See Editorial Comment

Who's to gain from liberalisation



Source: Gatt

British mission heads for India

By Andrew Baxter in London and Kunal Bose in Calcutta

A specially chartered Concorde will leave the UK for India on Sunday carrying Mr Richard Needham, Britain's trade minister, and 85 top industrialists, small businessmen and bankers on the UK's biggest ever trade mission.

The week-long tour of Calcutta, Delhi, Bombay and Madras is the most ambitious step yet by the Department of Trade and Industry to boost British trade with India, which last year was worth more than £1bn in each direction.

Mr Needham, who is leading the mission, said in London yesterday that opportunities for UK companies in India were unrivalled by any other market in the world: along with China, India is one of the world's two fastest growing developing economies.

The mission marks a further British attempt to build on historic links and benefit from India's economic liberalisation programme. "India is opening np to investment, joint ventures and increasingly to overseas trade," Mr Needham said. Last year, bilateral trade was marginally positive in Britain's favour, bnt this year UK exports have been rising at a slower rate than its imports from India, suggesting there will be a small deficit for the year as a whole.

Mr Needham said the UK was already playing a big role in India, but he hoped the mission would lead to more deals, especially in infrastructure projects such as telecommunications and power.

The presence of bankers and insurance executives on the trip reflected the importance for India of private-sector "build-own-oparats" and "build-operate-transfer" infrastructure projects, whose financing arrangements are normally complex.

Mr Needham is particularly keen to encourage partnerships between UK and Indian companies, such as a 50:50 joint venture announced yesterday by Rolls-Royce, the UK aero-engine and industrial power group, and RPG Enterprises, India's fourth largest business group.

The two companies have formed RPG-RR Power Engineering to modernise and refurbish India's older power plants. The signing ceremony will be in Calcutta on Monday.

Mr Sanjiv Goenka, vice chairman of RPG Enterprises, said that "the power shortage in India can be mitigated to some extent by improving the operational efficiency of the old power plants. The majority of power plants here are more than 12 years old and many of them need to be renovated."

Gatt panel to rule on Indian car complaint

By Frances Williams in Geneva

A Gatt disputes panel is to rule on a disagreement over imports of Indian cars into Poland, an issue which could have important implications for the European Union's trade agreements with former communist states in eastern Europe.

India says a doubling of Poland's tariff on cars in 1992, coupled with a duty-free qnota for the EU under a 1991 bilateral agreement, have hurt its car exports to Poland and thus violated its Gatt rights. According to the Indian complaint, its car deliveries to Poland fell from 4,568 units in 1991-92 to 1,000 in 1992-93 and to 504 in 1993-94. No deliveries have been made this year.

India, whose request for a Gatt panel was granted by Gatt's governing council yesterday, said the Polish measures cnuld not be justified under Gatt rules on free trade areas and breached Gatt's non-discrimination principle.

Strong support for India came from Japan, which said its own car exports to Poland had been affected, and from a uumber of other countries including the US, South Korea and several south-east Asian and Latin American nations. The EU and 11 other countries said they intended to make representations to the panel.

Among otber items discussed yesterday:

- The council decided to postpone discussion of a disputes panel report ruling mainly in Washington's favour on US car taxes designed to penalise excessive fuel consumption. The EU had charged that these discriminated against European exports of luxury cars.
- The EU and 46 developing countries requested a formal waiver from Gatt rules for the Lomé Convention which gives EU trade preferences to 70 Third World nations. However, the US and some other countries asked for more time to consider the details of the waiver and the council postponed discussion to the annual meeting of Gatt members next month. EU officials said afterwards they were confident that the waiver, which needs a two-thirds majority vote, would pass.
- A report on dispute settlement activity showed a substantial drop in dispntes brought to Gatt over the past 12 months, a decrease attributed partly to the expected entry into force next January of tougher dispute settlement rules under the new World Trade Organisation.
- Georgia became the last former Soviet rapoblic to become a Gatt observer, along with Sudan which has applied directly for WTO membership.

Baghdad recognises Kuwaiti sovereignty

By Roger Matthews, Middle East Editor

Iraq yesterday abandnned its long claim to Knwait and recognised the United Nations-defined border in an attempt to pave the way for an easing of international sanctions, imposed after Baghdad's invasion nf the Gulf state in 1990.

The decision to comply with UN Security Council Resolntion 833 was taken by the National Assemhly and later endorsed by the Revolutionary Command Council. It came a month after the US and its allies deployed tens of thousands of troops, together with warships and aircraft, to counter a renewed Iraqi military *build*-up near the *Kuwaiti* border.

In a statement released last night the Revolutionary Command Council, headed by President Saddam Hussein, said that Iraq "recognises the sovereignty of the State of Kuwait, its territorial integrity and political independence".

Iraq also "recognises the international boundary between the Republic of Iraq and the State of Kuwait as demarcated by the United Nations Iraq-Kuwait Boundary Demarcation Commission. . . and respects [its] inviolability."

Initial international reaction to the Iraqi announcement was cool and early *moves* towards an easing of sanctions are not expected.

The US said Iraq's recognition of Knwait had to be in "practice as well as in words" and warned that Baghdad had to comply with other UN resolutions before sanctions can be lifted.

"If that is, in effect, true in practice as well as in words, that is positive," said Mr Dee Dee Myers, the White House spokeswoman. "but there are a number of other elements in UN resolutions that Iraq must adhere to before we can even discuss lifting sanctions."

Senior US officials have previously emphasised that Iraq must comply fully with all aspects of weapons control and monitoring, account for all Knwaitis transferred to Ireq during the occnpation, and pnt an end to repression of the Iraqi people. Some diplomats have interpreted this as meaning the US will not support an end to sanctions while Mr Saddam remains in power.

The UN Security Council meets on Monday to review the sanctions and British officials said yesterday they did not expect any action to be taken.

However, Russia, which played a significant role in persuading Iraq to announce the recognition of Kuwait, is likely to press for some indication from the Security Council that it will react positively to Iraq's move. The National Assemhly session in Baghdad yesterday was attended by Mr Andrei Kozyrev, the Russian foreign minister.

France and China have also appeared sympathetic to rewarding Iraq as it edged towards full compliance with Security Council demands. But the French have taken a harder line since Iraq last month mnved its forces close to the Kuwait border.

Kumaratunga wins Sri Lanka presidency

Mervyn de Silva and Reuter in Colombo

Mrs Chandrika Kumaratunga, the Sri Lankan prime minister, swept home by nearly 2m votes yesterdsy in the country's presidential election, in what she called a victory for democracy and peace.

"It is a clear mandate for the peace process started by our government," said Mrs Kumaratunga. "This was significant as it was done in the face of a strong and Inflametory campaign undertaken by major opposition parties to fan racial violence in hopes it would get more votes."

Mrs Kumaratunga, candidate for the ruling People's Alliance, received 4.7m votes or 62.28 per cent to emerge as winner of the "battle of the widows" by a big margin.

The opposition United National party's (UNP) Srima Dissanayake, widow of the assassinated original candidate Gamini Dissanayake, polled 2.7m votes.

Mrs Kumaratunga, the first woman to win a presidential election in Sri Lanka, will be sworn in tomorrow to replace the UNP's Dingiri Banda Wijetunga, officials said.

In her new capacity as executive president – a position she has promised to scrap by July 1995 – she enjoys virtually dictatorial powers.

Her victory showed that voters on the borders of an ethnic war-zone are not necessarily the most uncompromisingly racist or extremist.

Chandrika Kumaratunga: promised to bring peace to the war-ravaged country

The north-central province which is regularly raided by the secessionist Liberation Tigers of Tamil Eelam with sometimes entire Sinhalese and Moslem villages wiped out, voted overwhelmingly for the "peace candidate".

Moreover, analysts say the military is now prepared to back her efforts to secure peace with the Tigers.

Mrs Kumaratunga, 49, bad led her party to victory in parliamentary elections in August, ending the UNP's 17-year rule by promising to bring peace to the war-ravaged country and cut the cost of living.

The daughter of two prime ministers – she lost both her father and her husband to the country's bloody politics – Mrs Kumaratunga said her government would forge ahead with peace but not at the expense of the majority Sinhalese community.

Bank goes to bat for Taiwan

Laura Tyson reports on the mixing of banking with diplomacy

Mixing banking with diplomacy may seem a curious enterprise but for ChinaTrust Commercial Bank, but it has to be done.

Controlled by one of Taiwan'e wealthiest and most influential families, the island's biggest privately-owned bank is building an international presence by dovetailing its strategy to become a "global Chinese bank" with the isolated government's efforts to improve its relations with foreign countries. Just 29 mostly small nations now recognise Taipei instead of Beijing, rivals since 1949.

To begin with, ChinaTrust plans a network stretching from South America to the Indian subcontinent and from London to Jakarta. It will later aim to widen its reach to South Africa, Russia, Australia, Canada, Mexico and eastern Europe.

By tbe end of tbe year, ChinaTrust expects to open branches in Hong Kong, New Delhi and Paraguay. Soon thereafter it plans to set up representative offices in Hanoi and Tokyo, buy into joint venture banks in Indonesia and the Philippines, apply to open a branch in New York, and apply to open offshore banking units in Thailand and Malaysia. The bank has five representative offices – in London, Jakarta, Manila, Bangkok and Hong Kong – and recently established a securities company in London.

"Our mission is not just to make profits, but also to play a quasi-diplomatic role," concedes Mr Wn Ching-mai, senior executive vice-president in charge of international banking. "Of course, Taiwan's efforts to gain recognition internationally was one of the important original motivations behind our overseas expansion, but at the same time it makes good business sense."

Cosy ties between business and government are common in Taiwan, but ChinaTrust's owners, the Koo family, are especially entwined with the governing Nationalist party. The clan patriarch and head of the femily's diversified business interests, Mr Koo Chen-fu, chairs tbe Straits Exchange Foundation, a nominally private organisation that conducts Taipei's arm's-length political dialogue with Beijing begun in April 1993. He is also a member of the ruling party's central committee.

His nephew and ChinaTrust's chairman, Mr Jeffrey Koo, doubles as an unofficial ambassador-at-large for Taiwan in part through his role as head of the Chinese National Association of Industry and Commerce. The foreign ministry allocates funds to support Mr Koo's quasi-diplomatic endeavours, which include meetings with beads of state and other political figures whom Taiwan's leaders are unable to see because of China's objections.

> Businessmen often have more clout and better access than government officials

"As Taiwan is severely limited in its official relationships," says Mr Parris Chang, a legislator from the Democratic Progressive party and a member on the foreign affairs committee of Taiwan's Legislative Yuan, or parliament, "you find that Taiwanese businessmen often have more clout and much better access than government officials. For many years, C.F. Koo served as Taipei's unofficial foreign minister, and Jeffrey has inherited this role from his uncle."

Seen as one of the few Taiwanese banks with the potential to become a truly international bank, ChinaTrust recently retained Mr Samuel Hsich, who finished a term as governor of Taiwan's central bank at the end of May, to help the bank consolidate its international links.

ChinaTrust's strong push into south-east Asia is designed to complement the government's "Go South" policy, an effort to divert Taiwanese investment flows away from China and into south-east Asia. President Lee Teng-hui added Impetus to the initiative with his "vacation diplomacy" tour of several countries in the region earlier this year. Taiwanese investment in China has surged in recent years to an estimated US$20bn, and Taipei fears becoming economically dependent on China.

"Our philosophy Is to become a global Chinese bank, meaning we will serve markets where there are Chinese communities and Chinese Investment," says Mr Wu. "Taiwanese companies tend to be unknown quantities outside Taiwan so they can't get banking services in many countries. We can help them facilitate business by taking collateral here in Taiwan."

India is the one exception. "We're going there because It's a place where we think Chinese ought to go, and we're confident they will, now that India has decided to open its economy," Mr Wu says. "In all other instances, we're following our clients."

Taiwan has opened a trade office in the Indian capital, and India is expected to open a similar office in Taipei soon.

The bank's planned branch in Paraguay is not as improbable as it may appear at first glance. The Taiwan government is assiduously courting Asunción with offers of economic assistance, and ChinaTrust's presence should bolster reportedly wobbly ties with the only government in South America to maintain formal diplomatic relations with Taipei.

"There's a strong desire on the part of both governments to increase the flow of Taiwanese investment into the country," says Mr Wu. "As well, we feel Latin America is changing for the better. There are a lot of Chinese immigrants In the region, and we want to use Paraguay as a regional centre from which to look at Brazil, Argentina and Chile."

ChinaTrust's strength is likely to be in Asia, where Taiwan is becoming an important provider of both investment and, increasingly, debt financing capital. Taiwanese banks are beginning to join syndicated loans and will play a role in regional debt issues as capital markets become more developed.

Trade flows are following investment flows in Asia, where Taiwan is already the second or third largest foreign investor in many countries and the biggest investor in Vietnam. "I think you'll begin to see business gronps from ecross the region teaming up to invest in third countries," says Mr Wu. "It's all about sharing risks. That's how Taiwan's industry was built."

Exchange rate imprisons Burmese economy

Nationalistic devotion to a strong kyat is restricting both investment and exports, writes **Victor Mallet**

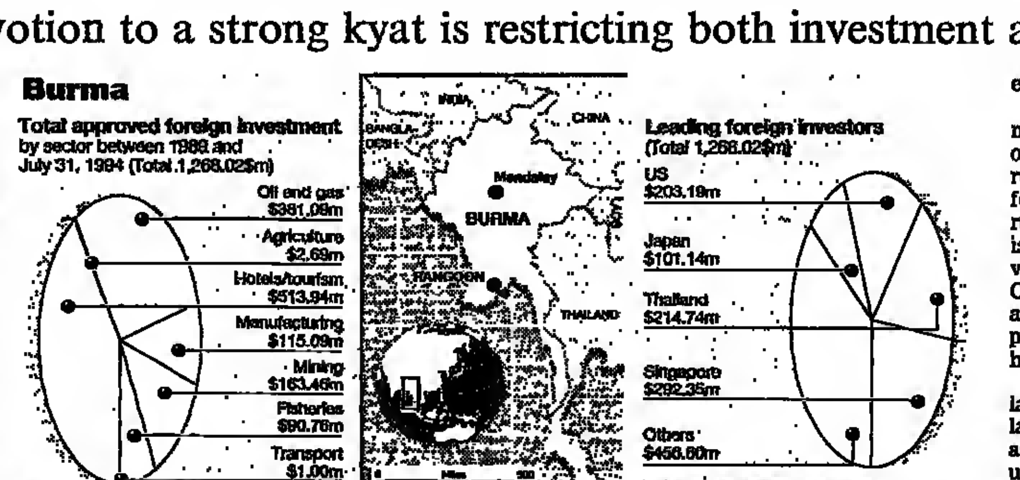
Fear of persecution is not an emotion normally associated with seminars on financial markets, but then Burma's military junta does not preside over a normal financial system; after 32 years of socialist military dictatorship, it runs one of the world's poorest and least sophisticated economies.

"It is time to take appropriate steps for the formal opening of a stock exchange in Yangon [Rangoon]," declared Brig-Gen Win Tin, the Burmese finance minister, at a recent seminar sponsored by Japan's Daiwa Research Institute.

But the Burmese bureaucrats, academics and businessmen attending the meeting were visibly frightened to be asked by a journalist for their views on Burma's economic policies and the prospects of a stock market. They shuffled their feet nervously and said they could not speak without official permission.

Particularly unwelcome were questions about the most urgent financial issue confronting the junta – the overvalued official exchange rate of the kyat, the local currency. In theory a dollar buys just under six kyats, but on the black market it will fetch 115 kyats.

The exchange rate policy of the State Law and Order Restoration Council (Slorc) – as the junta calls itself – restricts both inward foreign investment and Burmese exports.



Investors and exporters would receive far too few kyat for their dollars if they ran their businesses in a conventional manner, and they have been forced to avoid the obstacle by engaging in complex joint ventures or barter arrangements involving the export of beans and other agricultural produce.

Slorc's obsession with an artificially strong currency would also block the disbursement of funds from the World Bank, the International Monetary Fund and the Asian Development Bank, if such funds were not already blocked by westarn proteste against Slorc's many human rights abuses.

Slorc generals, trained as soldiers rather than economists, talk vaguely of an eventual "convergence" between tbe official and unofficial rates. They argue that the exchange rate is not a problem because they tolerate dealings on the black market, but the policy distorts the Burmese economy in several ways.

The armed forces and state-owned enterprises, for example, are allowed to import weapons and raw materials at the official rate, which means they pay unrealistically low amounts of kyats for their imports. And the official exchange rate is used to calculate all import tariffs, depriving the government of much-needed tax revenue.

"They are always talking about a market-oriented economy," says Mr Ho Chin Beng, chief representative in Rangoon of the Development Bank of Singapore. "But the one main stumbling block remains the official exchange rate of the kyat."

The Slorc's reluctance to tamper with the exchange rate is based partly on its collective respect for Gen Ne Win, the 83-year-old former dictator who, from his retirement, is believed to exercise considerable control over younger generals. He is adamantly opposed to devaluation on nationalistic grounds.

Slorc generals also fear that a devaluation will boost inflation – already running at an estimated 40 per cent – and anger the poor by increasing the cost of basic products such as cooking oil. These are sold by the state enterprises that currently enjoy a hefty exchange rate subsidy.

In the past few years, Burma's generals have embarked on a seriea of economic reforms. They have encouraged foreign investment, eesed restrictions on tourists, liberalised agriculture, legalised the vigorous border trade with China and Thailand and allowed the establishment of private banks and private hotels.

Foreign companies, particularly from Singapore and Thailand, have responded entbusiastically. Twenty big hotels are under construction in Rangoon. Seventeen foreign banks have been licensed to open representetive offices. Newly-imported second-hand cars are creating the first traffic jams for a generation. Consumer goods such as televisions are on display in the shops, and economic growth last year is estimated at 6 per cent.

In its efforts to revive the economy, the Slorc has even risked incurring Gen Ne Win's wrath by introducing currency notes in sensible decimal denominations such as 10 and 100. For years the Burmese had to count their money laboriously in notes of 90 and 45 because nine was the general's lucky number.

Slorc ministers have also tentatively begun to raise the cost of basic services for the country's 43m inhabitants towards more realistic levels. Last year, Rangoon bus fares were doubled to two kyat (about two US cents at the free market rate); the price of electricity has just increased five-fold, except for government employees; and the cost of petrol rations (often resold on the black market) has risen from 16 to 25 kyat per imperial gallon in the last few weeks.

Reforms implemented so far have encouraged construction and consumer spending and attracted hoteliers and crafty foreign commodity traders to Burma. But many Japanese and western companies are reluctant to invest in a country where the regime is unpopular with its subjects, the banking system remains primitive, corruption and bureaucracy are rampant and repatriation of profits depends on the ability to export beans or lentils.

"Things are changing on the surfaca, but there's no structural change," says one Burmese businessman. Rangoon-based diplomats agree, pointing out that other south-east Asian economies such as Thailand and Indonesia have been able to succeed despite corruption and military infInence hecause trained economists and technocrats control macro-economic policy.

This is not the case in Burma. "The problem is that sooner or later, as all these niche opportunities created by the reforms are taken up, the whole system will hit the ceiling and be held back by the structural impediments," says one diplomat.

INTERNATIONAL NEWS DIGEST

NZ, Australia end plans for open skies deal

Any hopes of establishing "open skies" between New Zealand and Australia were finally dashed yesterday, when transport ministers from the two countries acknowledged that a 1992 agreement, which would have given Air New Zealand access to Australia's domestic market from November 1, will not proceed.

Mr Laurie Brereton, the Australian transport minister, said the 1992 memorandum of understanding would now go no further than the existing concessions which allow Air New Zealand to pick up the equivalent of 12 jumbo-jet loads of passengers in Australia each week and take them to another overseas destination.

Mr Maurice Williamson, his New Zealand counterpart, conceded that the climate had changed since the agreement was signed, in part because the Australian government was poised to float its remaining 75 per cent stake in Qantas, the Australian flag carrier, next year. Air Zealand's entry into the Australian domestic market, as a second competitor alongside Ansett, would almost certainly have disrupted Qantas's domestic revenue flow.

The aviation row broke out two weeks ago when Australia unilaterally "froze" the memorandum – just days before Air New Zealand would have been permitted to fly internal Australian routes. There has subsequently been speculation that the Australian authorities were keen to encourage a tie-up between Ansett and Air Zealand, thus extending the duopoly which exists in Australian air services across the Tasman. Ansett already flies domestic routes in New Zealand. *Nikki Tait, Sydney*

S Korea to apply to OECD

South Korea expects to apply for membership in the Organisation for Economic Co-operation and Development next month, the ministry of finance said yesterday. The application would follow Korea's acceptance as an observer on the OECD's financial market committee, which is expected to be granted by the end of November.

Seoul plans to begin formal negotiations to become the OECD's 26th member during the second half of 1995, with a goal of having its membership approved by June 1996. But the negotiations are expected to be contentious, since the OECD is demanding that Korea accelerate its schedule for financial liberalisation, while Seoul argues that any such move would be detrimental to the economy. Seoul is planning to phase out state-supported industrial loans and deregulate interest rates, while opening up financial markets gradually to foreign investors and reduce controls on capital flows. But the full extent of these measures are not scheduled to occur until after 1996.

● North Korea yesterday gave a cool response to South Korea's recent decision to resume economic co-operation with Pyongyang. A commentary by the North Korean central news agency demanded that Seoul should apologise for suspending economic ties with Pyongyang over the nuclear dispute and repeal its national security law before co-operation could begin.

But South Korean officials said the statement appeared to be a routine propaganda attack and did not amount to a total rejection of Seoul's offer. They noted that the commentary had not been issued by any government agency officially responsible for inter-Korean affairs. *John Burton, Seoul*

Indonesian aircraft rolls out

Indonesia's first aircraft to be designed and assembled by the country's state-owned aircraft maker, PT Industry Pesawat Terbang Nusantara, was rolled out yesterday in an elaborate ceremony presided over by President Suharto. Development of the N-250, a 70-seater turboprop aircraft 10 years in the making, has been criticised by the World Bank which says the Indonesian government would do better to invest its money in industries where profitable returns are more certain.

There are concerns that it will be difficult to sell the N-250 – a pet project of Mr B J Habibie, Indonesia's minister for research and technology – on the international market where it will compete with the models and services of long-established turboprop aircraft makers.

However, Mr Habibie said yesterday thet IPTN, in which $950m (£580m) has been invested over the past 18 years, had signed a letter of intent with Gulfstream International Airline of the US for an order of four N-250s and an option on six more. Press reports earlier this year said FFV, a Swedish leasing company, signed a memorandum of understanding with IPTN for the purchase of 24 N-250s for delivery in early 1996. In addition, three domestic carriers, Sempati Air, Merpati Air and Bouraq Airlines, yesterday ordered 16 N-250s with an option to order a further 162.

Mr Habible said he was looking for a US location to set up an assembly plant for the aircraft and said General Electric of the US had agreed to take a 10 per cent equity stake in IPTN's US venture. Mr Habibie also said he was talking to Boeing, which was considering taking an equity stake in the planned US plant. The plant would be 40 per cent owned by IPTN and is expected to make its first delivery of a US-assembled Indonesian-designed aircraft in the second half of 1998. *Manuela Saragosa, Jakarta*

UN seeks aid for Afghanistan

The United Nations yesterday launched a $106m appeal for humanitarian aid for Afghanistan amid fears that the onset of winter will soon bring additional suffering to the country. With no end in sight to the battles between militia groups which have plagued Afghanistan since the departure of Soviet troops in 1989, the UN is making desperate efforts to relieve the misery for ordinary Afghans, including 500,000 who have abandoned their homes in the past year. Most have fled Kabul, which has lost a third of its population since January 1, when rival commanders started battling for control of the city. In addition, the UN is assisting about 3m refugees still living in camps in Iran and Pakistan and about 2m who have returned to their homes in Afghanistan. UN officials say that even taking into account Bosnia and Rwanda, Afghanistan remained their biggest relief operation in the world. The latest appeal will fund operations until next autumn and follows a similar eppeal which raised $60m last year.

The officials, who visited Kabul this week, described life in the city as grim, with shortages of food, fuel and medicines compounding the effects of frequent rocket bombardments and street fights. They said about 120,000 people were still living in the districts directly under attack, mostly because they were too poor to move anywhere else. With the temperatures dropping, they face cold and hunger, particularly as relief supplies to the city have been repeatedly interrupted by a blockade imposed by mujahideen fighters. *Stefan Wagstyl, Islamabad*

NEWS: INTERNATIONAL

Vietnam branches for US banks

By Our Hanoi Correspondent

Vietnam yesterday gave approval in principle to branch status for Citibank and Bank of America.

The approval will allow the two big US banks to do business in Vietnam for the first time since they were forced to abandon the country in 1975.

An official from the country's central bank, the State Bank, confirmed that both banks would be able to upgrade their representative offices in the capital, Hanoi, and in the southern industrial hub of Ho Chi Minh City, to full branches once the technical details had been sorted out – a procedure which is common to all foreign branch applications.

Both banks have had representative offices in Hanoi and Ho Chi Minh City since early 1993. Although they applied for full branch status shortly after President Bill Clinton removed the trade embargo on Vietnam last February, the approval process has been dictated largely by the pace of normalisation of relations between the two countries.

"We wish it had been given to us much earlier but we are pleased to have got it nevertheless," said Mr Chuyen Uong, Citibank's representative in Hanoi.

Vietnam and the US last month agreed to establish diplomatic liaison offices in each capital by year's end.

Officials from both banks said they expected their branches to be up and running by early next year. The bulk of their business would be wholesale banking and, in the case of Bank of America, advising the government on financing the rebuilding of Vietnam's crippled power sector.

> About 20 more applications are understood to be in the pipeline

"I think they're sending a positive message to the US," said Mr Luu Le, Bank of America's Indochina manager who, like Citibank's Mr Chuyen, is of Vietnamese origin and managed a branch of his bank in the then Saigon before the communist victory in the Vietnam war forced them to close down.

The Citibank and Bank of America branches bring the total number of foreign branches to 11 in this country of 72m people.

About 20 more applications are understood to be in the pipeline but banking analysts say there are signs that Vietnam is starting to look overbanked and that few foreign branch licences are likely to emerge for the time being.

State Bank figures show that combined loans among foreign banks amount to only $100m (£62m). Most of them are short-term loans.

Bankers say they are reluctant to lend to state-run or even private Vietnamese companies, whose accounts are murky at best and where recourse to collateral has not yet been tested.

They are also still smarting from the imposition last year of an unpopular turnover tax applied to foreign banks.

Japanese students feel jobs squeeze

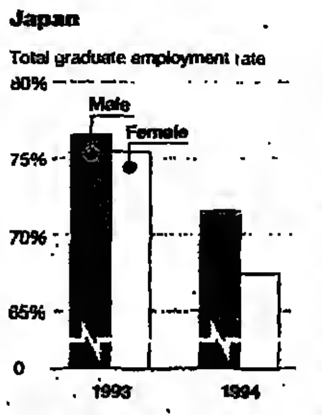
Recession means a university education is no longer enough, reports Gerard Baker

The cloistered serenity of one of Japan's more exclusive educational establishments has been disturbed. Gakushuin University, a sylvan oasis in Tokyo's concrete desert, has been the alma mater of Japan's emperors for centuries. Mere mortals have thrived there, too – a degree from Gakushuin is usually considered a ticket to a safe career in Japan's economic aristocracy.

But this year, employment opportunities are thinner than ever and a mood of doubt has punctured the self-confidence of many of the nation's elite students. According to Mr Makoto Sano, who runs the job placement office, fewer than a fifth of students have already found jobs – half the number this time last year, itself one of the worst years ever. The employment outlook has deteriorated so sharply that the university has for the first time established special seminars aimed at equipping this year's graduates with the tools needed to impress would-be employers. "The students' situation is more difficult than for many years," he says

There has scarcely been a worse time to be graduating from a Japanese university, traditionally the natural pool of labour for the country's corporations.

Figures published this week by the education ministry showed that the proportion of university students graduating this March who found employment slumped to its lowest level since 1950. Just 70 per cent of college-leavers found jobs in the annual round of company recruitment, down from 76 per cent last year and nearly 12 points below the peak year of 1991.



The figures do not just demonstrate the severity of the lingering recession. They herald a significant change in the Japanese labour market as companies continue the painful process of adjusting to the more competitive climate of the 1990s. They suggest the secure progress from school to university to corporation, taken for granted by the nation's graduates, may be a thing of the past.

The scale of the downturn has been magnified by an atavistic tendency by Japanese companies to resist redundancies. Faced with falling demand and excess capacity, the leading employers have all cut recruitment more deeply than ever.

Toyota Corporation has reduced its graduate intake from nearly 900 three years ago to an expected 200 this year. NTT, Japan's and the world's largest company, has frozen recruitment completely. Matsushita Electric is planning to take on its lowest number of graduates since 1979.

As ever in Japan's male-dominated economy, women have been particularly affected by the slump in graduate demand. The employment rate for female university graduates sank this year by 8 points to 67.6 per cent. Since 1991, the average number of job offers per female college graduate has fallen from 1.98 to 0.87. Labour market-watchers say Japan's women are entering an "employment ice age". According to a report by the Japan Productivity Centre this year, 51 per cent of graduate-recruiting companies were expecting not to recruit women at all.

What alarms many students, male and female, however, is that when the economy at last recovers from the long recession, companies will have a different set of objectives that will exclude many of them. The education ministry says: "Structural changes are now affecting the employment of graduates: the numbers are likely to fall further yet."

> Employment opportunities are thinner than ever and a mood of doubt has punctured the self-confidence of many of the nation's elite students

The shift of manufacturing production offshore in response to the high yen and the need for businesses to trim costs to remain competitive will weaken demand for labour. There is as yet little prospect of an end to the principle of lifetime employment and so smaller graduate numbers and more early retirements are the only means by which payrolls can be slimmed.

But, more importantly, Japanese companies are becoming much more choosy in their recruitment. When employment prospects do improve, the chances are that job opportunities for graduates will be less rosy. According to one employment consultant, businesses for years snapped up the annual supply of graduates, investing vast capital in them in the expectation that they would produce a long-term return over a lifetime of employment. Now, he says, companies are operating on a shorter timescale.

"Companies are becoming more inclined to tap the pool of already qualified labour and see earlier returns on their investment. They see new graduates as expensive, illiquid assets. Better to have fully functioning liquid assets on your books."

University careers advisers like Mr Sano are already advising students that this means a good university education, even from the best universities, may no longer guarantee a job for life in one of the Japanese corporate giants, as has always been the widespread assumption. Like the corporation itself, Japan's graduate will need to adapt and compete more energetically than in the past. Unless of course, he can become an emperor.

Egypt to resume talks with IMF

By Mark Nicholson, Middle East Correspondent

Egypt is to resume formal talks with the International Monetary Fund this year, to try to break a deadlock between the two sides over devaluation of the Egyptian pound.

A Fund mission is expected in Cairo before Christmas to discuss devaluation and a raft of other issues, including reform of Egypt's tax and trade policies and the pace of its privatisation programme.

Agreement to give new impetus to formal negotiations followed brief talks in Cairo this week between Mr Atef Sidki, Egypt's prime minister, and Mr Stanley Fisher, the new IMF managing director. Direct negotiations foundered in July when a team of Egyptian ministers failed to reach agreement on devaluation and a package of related issues in Washington.

The IMF has been pressing Egypt to devalue the pound as part of its three-year-old structural adjustment policies, saying the currency is as much as 40 per cent overvalued and seriously impedes attempts to generate export-led growth. The pound has been held at around E£3.38 to the dollar for the duration of the IMF and World Bank stabilisation and structural reforms.

The government has refused, saying devaluation would shatter hard-won confidence in the currency, which in turn has contributed to strong inflows of expatriated Egyptian money and reserves now topping $16bn.

Neither Egyptian nor IMF officials would comment on this week's talks, but it is understood no substantive agreement was reached other than to resume negotiations.

After the IMF talks, the government announced plans to sell shares in 17 public sector companies worth around E£1.5bn ($440m) by January 17 to give a push to its hitherto sluggish privatisation programme.

Government in Nigeria accused of repression

Amnesty International yesterday accused the Nigerian government of jailing hundreds and killing dozens of opponents to stifle political activity, *write Paul Adams in Lagos and Reuter.*

The human rights pressure group said it considered Chief Moshood Abiola, winner of the 1993 presidential elections but imprisoned by the military government, as a prisoner of conscience.

"The country is now facing one of the most serious human rights crises for decades, triggered by these killings of critics, imprisonment for treason of the president-elect of Nigeria and the detentions of ethnic group leaders, prominent trade unionists and opposition politicians," it said.

Amnesty called on the Nigerian government to release all prisoners of conscience and abolish legislation allowing indefinite detention without charge or trial.

It accused the government of arresting hundreds of demonstrators, detaining government critics and using "lethal force" to crush pro-democracy protests and strikes.

"The military government of General Sani Abacha has shown its contempt for the rule of law and internationally recognised human rights by silencing the opposition not only in the press and the streets, but also in the courts," it said.

Amnesty also accused the government of repressing the impoverished Ogoni people of southeast Nigeria who have protested against pollution by oil companies.

Meanwhile, Nigeria's constitutional conference has been extended by at least two months until next January.

Delegates at the conference in Abuja will review proposed changes to the constitution until December 8, then begin to approve a draft constitution on January 9.

The conference was set up by Gen Sani Abacha's military regime, which seized power after the annulment of last year's presidential election, to pave the way for the promised transfer to elected civilian rule.

Zimbabwe farm seizure allowed

Three white Zimbabwean farmers whose land was earmarked by the state for forcible seizure for resettling landless blacks have lost a High Court case to stop the government acquiring their farms, Reuter reports from Harare.

In a judgment made available to reporters yesterday, Justice Godfrey Chidyausiku ruled that a 1992 law giving the state sweeping powers to seize farms for resettlement did not violate Zimbabwe's constitution.

In his 22-page ruling, Justice Chidyausiku said: "The constitution recognises and codifies the state's right to compulsorily acquire property, and indeed elevates the individual's entitlement to compensation for compulsory acquisition to the level of a fundamental right."

The farmers – Alistair Cuthbert Davis, Michael Anthony Clark and Erna Rhodena McClean – had argued that since the state offered no compensation when it designated land for seizure, and only compensated on transfer, the concept of earmarking land contradicted the constitution.

But the court upheld the state's submission that it was exercising its regulatory powers of earmarking land pending future acquisition.

Zimbabwe's population of 10m includes 100,000 whites.

Charities face long wait for lottery cash

By Raymond Snoddy

Mr David Sieff, chairman of the National Lottery Charities Board, admitted yesterday that the board, which could bave £100m a year to distribute to charities, may not start making grants until late next year.

The admission came a week before the first multi-million-pound National Lottery draw takes place on November 19. Twenty per cent of the proceeds of the lottery will be distributed to UK charities via the board, and between 150,000 and 200,000 applications for money are expected each year.

There is growing concern, however, that delays may mean that the board may not be in a position to accept applications until "the latter half of next year", according to its acting secretary, Mr Kirk Coulson-Gilmer.

Charitiea already fear that the National Lottery will have an overall net adverse effect on their funds.

"It's a shamhles. An absolute disgrace," a lottery specialist who asked not to be named said yesterday of the progress made so far hy the Charities Board.

Mr Sieff, a director of Marks & Spencer, admitted yesterday: "If we are going to succeed we need time to prepare – certainly many mooths – before we can begin tbe actual distribution of funds."

Money will he held in interest-bearing accounts until grants are made. Mr Sleff added that he would not be put off from doing the job properly "either by media pressure, or by tbe understandahle anxiety or impatience of possible recipients of grants".

At the moment the board is staffed hy four civil servants on secondment from tbe Home Office, althougb consultants with expertise in business systems, management and public relations have also been engaged. Advertisements for a chief executive were placed just two weeks ago.

There bave also beeo complaints tbat charities trying to contact the board have only been able to reach an answering machine. Calls have been going instead to both Camelot, the lottery operator, and the Office of the National Lottery.

At a meeting last week attended by Camelot and Charitias Board representatives, it is believed that Camelot asked what callers to the Lottery Hotline should be told about the Charities Board.

A board member suggested they should be asked to call back in a few months.

CDs squeeze vinyl's share of music market to 3%

By Alice Rawsthorn

Vinyl discs account for little more than 3 per cent of UK sales of recorded music compared with almost 65 per cent in 1982, wben compact discs were launched, says a study published by the Datamonitor market research consultancy. Datamonitor predicts that vinyl will "soon be a thing of the past."

Most hig music companies and retailers no longer make or sell albums or singles on vinyl, which is now restricted to a cult market of disc jockeys and collectors.

Sales of CDs have risen almost as quickly as those of vinyl have fallen. After five years on the market CDs represented 12.6 per ceot of recorded music aales in 1987 and claimed 60.5 per cent last year.

Audio cassettes, which gained share for a hrief period immediately after the launcb of CDs accounted for 56.3 per cent of the market last year, roughly equivalent to their 35.3 per cent share in 1982.

Datamonitor believes CDs will continue to gain share because only 37 per cent of UK bomes have a CD player.

This relatively low level of penetration ahould stimulate sales in the future as more bousebolds acquire players and replace their old vinyl record collections with compact discs.

Datamonitor also anticipates additional growtb as new music media, such as Sony's MiniDisk format and Philips' digital compact cassette, gain ground. As a result it expects the recorded music and blank tapes market to expand from last year's £1.6bn to £1.85bn in 1998.

UK Records & Tapes. Datamonitor, 106 Baker Street, London W1M 1LA. £395.

Trucks boost vehicle sales

By Kevin Done,
Motor Industry Correspondent

New UK commercial vehicle registrations rose by 15.1 per cent last month to 18,590 with the help of a big increase in truck sales.

In sharp contrast to recent trends in the UK new car market, where registrations fell by 3 per cent last month, demand for commercial vehicles has beeo strong since the summer.

In the first 10 months of the year new commercial vehicle registrations increased by 15.5 per ceot to 195,540, according to figures released by the Society of Motor Manufacturers and Traders. That compared with a rise of 8.5 per cent in oew car registrations. Sales of new trucks (above 3.5 tonnes gross vehicle weight) jumped by 58.7 per ceot in October to 4,545.

The truck sector has led the commercial vehicle market out of recession with registrations rising by 20.6 per cent in the first 10 months of the year to 36,568.

Sales of beavy trucks (above 15 tonnes), most importantly to long distance hauliers and to tbe construction industry, have achieved tbe strongest growtb with registrations increasing by 27.7 per cent in the first teo months.

European truckmakers intensified marketing efforts in the UK, wbere growth has been higher tban in most continental European markets with the result that truck imports are rising rapidly.

Imports accounted for 58.5 per cent of the UK truck market in the first 10 months of the year compared with 49 per cent in tbe corresponding period a year ago. Registrations of imported trucks rose by 43.9 per cent compared with an increase of 20.6 per cent in overall truck sales.

Renault – albeit from a small base – Daf and Scania have all gained ground in the UK heavy truck market.

Iveco, the commercial vehicles subsidiary of Fiat of Italy and overall leader of the UK truck market, has suffered a significant loss of market share to 22.6 per cent from 24.7 per cent a year ago.

UK NEWS DIGEST

Court rules for British Coal in patents case

British Coal is likely to benefit by several million pounds after the Court of Appeal ruled in its favour in a patent case involving its Coal Products subsidiary. The case could also have implications for the corporation's forthcoming sale of the subsidiary, which manufactures smokeless fuels. In the Court of Appeal ruling, judges unanimously overturned a decision of Mr Justice Mummery who found Coal Products had infringed the Belgian company Glaverbel's patented process for repairing the lining of refractory ovens.

Coal Products said it based the process on technology which it has always asserted are in the public domain. Mr Andrew Inglis, a partner at Nabarro Nathanson, a firm of solicitors acting for British Coal, said he expected the Court of Appeal to order Glaverbel to pay British Coal's costs. British Coal has selected four companies as preferred bidders for Coal Products including Anglo United, the quoted company which makes the Coalite smokeless fuel.

Treasury issues rules for new investment companies

The UK Treasury yesterday set out part of the regulatory framework it intends to put in place for open-ended investment companies – a different form of pooled investment funds from unit trusts – when they are allowed in the UK next year. OEICs are common in other European countries and in north America, where investors and their financial advisers are unfamiliar with unit trusts, and their introduction into the UK is intended to help British fund managers compete more effectively.

Among the significant elements to the regime will be that OEICs will be abla to include "umbrella funds" – through which an OEIC is made up of a number of sub-funds – and that "bearer shares" will also be allowed. Both are allowed but rarely used in unit trusts, but many investment managers believe they will be more popular for the new investment vehicle.

Allowing bearer shares – a different way of establishing ownership of the investment – should make it easier for fund managers wanting to sell elsewhere in Europe, in countries such as Germany and France where this form of share is much more common.

R-R and British Aerospace support competitiveness effort

The Society of British Aerospace Companies yesterday launched a campaign to improve the competitiveness of the industry. The initiative flows from the Department of Trade and Industry's White Paper on competition, and is similar to that already launched in the motor industry. Mr Tim Eggar, industry minister, opened the scheme at a seminar in central London. The campaign is supported by large companies such as British Aerospace, GEC and Rolls-Royce.

The society's "Competitiveness Challenge" encourages aerospace manufacturers to share information about best industry practice and to co-operate to deepen understanding between component suppliers and the big assembling companies. It will use seminars, workshops and self-assessment questionnaires to help companies understand where their advantages and problems lie. The UK aerospace industry has improved its balance-of-trade surplus in the past decade, a distinction shared only by the chemical and pharmaceutical industries.

Government goes on-line

A pilot project to provide access to government documents through the Internet, the international computerised information network, was announced yesterday by Mr Robert Hughes, the junior science minister. Information from the Stationery Office, which publishes official documents, and the Citizen's Charter Unit will be among the first government contributions to the growing electronic network. Government information can be accessed through Internet on www.open.gov.uk.

Fire-eater down in the mouth

A fire-eater who claims he failed a drink-drive breath test because of paraffin he had put in his mouth for a performance is to take part in a unique hospital study in a bid to prove his innocence. Mr Darryn Saville, 28, will plead not guilty to drink-driving if the intoximeter test to be carried out at The London Hospital shows that paraffin puts him over the legal limit for driving.

Mr Saville of Woking, Surrey, was arrested on July 28 on his way back from a public fire-eating show. A breath test showed he was 2½ times the legal drink-drive limit, Camberley Magistrates Court heard yesterday. His defence lawyer said Mr Saville, who works during the day as a ceramic tiler, had put paraffin inside his mouth for his performance just half an hour before he was arrested. The case was adjourned until next month.

Court judgment may shield Lloyds Names' assets

By Ralph Atkins
Insurance Correspondent

A Court of Appeal ruling yesterday threatened to undermine efforts by Lloyd's to collect more than £1bn owed by lossmaking members and to create confusion about the legal atetus of some of the insurance market's practices.

Hard-hit Names, individuals whose assets have traditionally aupported tha market, walcomed the court's verdict thet Lloyd's might have broken European competition law – in particular by asking them to contribute to a "central fund" while underwriting.

The central fund is used to settle claims on policies underwritten by Lloyd's when Names refuse, or are unable, to provide the funds required and also to ensure the market passes UK government solvency rules.

The court also raised a question mark over whether Lloyd's practice of encouraging the reinsurance of its policies within the market might also have breached European competition law.

The decision, overturning an lower court's ruling, could affect Lloyd's attempts to recover £1.2bn earmarked from the central fund (and other assets) to cover possible liabilities on policies underwritten by Names.

It will give aggrieved members an excuse not to pay sums demanded by Lloyd'a at least until the arguments are considered in a full court trial – possibly not until next autumn. If the central fund is declared void, that would raise the question of whether Lloyd's should repay money paid into the fund.

However Lloyd's said it would continus its dabt recovery operation and planned an early appeal to the House of Lords. It pointed out that the court had been considering only preliminary issues and had not taken a view on wbether Lloyd's had contravened European law.

Lloyd's is also applying to Brussels for the exemptions from European law that the Names who brought the legal case argue they may need.

The Names' Writs Response Group argued that because the Lloyd'a market comprised an "association of undertakings", arrangements made centrally could amount to a cartel agreement under the Treaty of Rome.

Minister acted unlawfully over Pergau, court rules

By Robert Rice and Kevin Brown in London and Kieran Cooke in Kuala Lumpur

Mr Douglas Hurd, the UK foreign secretary, acted unlawfully in earmarking £234m ($376m) from Britain's overseas aid budget for the Pergau dam in Malaysia, the High Court ruled in London yesterday.

The court said the grant of aid was "fatally flawed" because the project was "economically unsound" and did not promote the development of a country's economy as required by British aid laws. The 1980 Overseas Development and Co-operation Act says the primary purpose of aid must be the economic benefit of a country or the welfare of its people.

The government was refused leave by the judges to appeal. But the Foreign Office said later it is was considering whether to apply to the Appeal Court direct for permission to challenge the ruling.

Mr Hurd said the UK contribution to the Pergau project would go ahead. He said the government would provide the money from elsewhere within the budget if the appeal failed.

"We are contractually bound; there are 200 British firms working there," he said on Channel Four Naws. "Unless we have a successful appeal, we will have to find other ways of financing it."

Mr Hurd said the legality of the deal was not questioned when he signed it. "The courts decide and the law has to be obeyed. Ministers have to take a view on what they can do in the national interest. That is what I sought to to do," he said. The decision represented n victory for the World Development Movement, a lobby group, which had argued that Mr Hurd had overstepped his powers under the 1980 act by allocating aid money for the improper purpose of promoting trade with Malaysia.

Baroness Thatcher, then prime minister, promised to provide financial help for the dam in 1989 while negotiating a £1.3bn arms deal with Malaysia.

Mr Hurd had authorised the first instalment of aid in 1991 in spite of advice from Sir Tim Lankester, former permanent secretary (top official) at the Overseas Development Administration, that the dam was uneconomic and funding it was "an abuse of the aid programme".

Mr George Foulkes, Labour's shadow overseas development minister, said last night that Mr Hurd's position had become untenable.

In Malaysia yesterday, Dr Mahathir Mohamad, the prime minister, warned of retaliation if the UK government was forced to drop the £234m loan.

"Legal or not legal, they must pay," he said. Ha added that if the loan was held up, Malaysia would withhold payment to Balfour Beatty, the British construction company which is the main contractor on the dam. Dr Mahathir said the work was awarded to Balfour Beatty only because of the loan.

In February, Malaysia put a ban on awarding government contracts to UK companies following unfavourable press reports about the Malaysian leadership. The ban ended in September.

Lords may start register of outside interests

By Kevin Brown, Political Correspondent

Tbe House of Lords, the unelected upper chamber of parliament, is considering opening a register of members' interests to bring lords into line with the elected House of Commons in the wake of allegations of impropriety against ministers and other MPs.

The proposals, prompted by the prime minister's Commons statement on standards of public life, are being drawn up by the powerful Lords procedure committee, which sets guidelines for the conduct of business in the House.

The committee, chaired by Lord Ampthill, a crossbencher, is expected to receive a report sbortly from Sir Michael Wheeler-Booth, clerk of the House, on the practicalities of setting up a register.

However, a register could be established only after a vote on the floor of the house. It would probably be supported by most Labour and Liberal Democrat peers, but might face opposition from Conservative backwoodsmen.

Peers say that such a big constitutional innovation would probably have to be decided on a free vote, which would mean that party leaders would have little control over the outcome.

Viscount Cranborne, leader of the Lords, was not availble for comment on the proposed register.

However, he told peers last month that "in view of the current climate, it is clearly right that tha question should be examined again."

Much of the impetus for the register has come from Lord Richard, Labour's leader in the Lords, who has also pressed for the upper House to be subject to oversight by the new standing committee on public standards, chaired by Lord Nolan.

"As far as we are concerned, this is something that ought to be pressed. Standards in the Lords should be the same as the standards in the Commons, and that would include a register of the interests of members," Lord Richard said.

However, lords involved in the debate point out that the unelected house faces special problems in compiling a register because it is difficult to apply sanctions to members who refuse to comply.

"All that could really be done would be to withdraw the party whip, which would not worry most peers too much," one senior peer said. "Things are really more casual np here than they are in the Commons. So many [Lords] have outside interests of their own.

"People usually declare specific interests, but if you own half of Scotland you have an interest in almost everything that is debated."

PM wins backing for stance on EU payments

Mr John Major yesterday won cabinet backing for a battle plan for controversial European Union legislation and public spending cuts of between £4ho ($6.6bn) and £5bn, our Political Staff write. As the cabinet put the finishing toucbes to the spending side of the coming Budget, backbencb rigbtwing rebels dismissed reports that Mr Norman Lamont, the former chancellor, plans to challenge Mr Major for the Tory leadership.

In a furtber embarrassment to tbe government, it emerged that the powerful House of Commons trade and industry committee is considering whether to reopen a shelved inquiry into the future of the Post Office.

MPs said the committee might call evidence from Mr Michael Heseltine, trade and industry secretary, raising the prospect of damaging revelations about the cabinet's decision to bow to pressure from a handful of backbench opponents of privatisation.

Mr Bill Cockburn, the Post Office cbief executive, last night met Mr Heseltine for the first time since the abandonment of privatisation to demand rapid progress towards greater commercial freedom.

Mr Cockburn is understood to have sought a reduction of £100m in the annual Post Office levy to the government.

Details of spending plans put forward by Mr Kenneth Clarke, chancellor of the Exchequer, were tied up after ministers accepted compromise proposals from Mr Peter Lilley, social security secretary, for cuts to the £8bn housing benefit budget.

Ministers also agreed tbe outstanding details of plans for a limlted disablement rights bill, designed to mollify those outraged by the government's opposition earlier this year to a more comprebensive backbench bill.

But most of the hour-long cabinet meeting was taken up with a debate on the forthcoming bill to increase Britisb contributions to the EU, which is bitterly opposed by Tory Eurosceptics.

Mr Major warned the cabinet that all EU governments are committed to implementing the increase in contributions by early next year.

He urged ministers to make clear to rightwing critics that the cost is estimated at only £75m next year, and a maximum of £250m by the end of the decade.

The prime minister told ministers to make sure backbenchers understand that the bill would lock in Britisb rebates from the EU budget until the end of the century.

John Major: warned his cabinet colleagues that all EU governments were committed to increasing their contribntions

Private funding of public works 'accelerating'

By Charles Batchelor, Transport Correspondent

The pace of the government's private finance initiative will accelerate over tbe coming year, Sir Alastair Morton, chairman of the government's private finance panel, said yesterday.

He identified a number of new areas where the initiative might be applied and warned City institutions interested in participating schemes that tbey would be expected to share the risks.

There was no benefit to the government in replacing public funds with a straightforward lease which simply spread out payments.

"The one thing the City is not going to get is finance leases dressed up with a government guarantee and carrying a padded project management fee," said Sir Alastair. "We won't wear that."

The initiative, launched two years ago, had been slow to start, but resistance in some government departments was being overcome and potential projects with a total value of £10bn identified. "After a lot of wbeel-spinning there is a momentum which will produce a lot of done deals within the next six to nine months," Sir Alastair said.

He was speaking two days after Mr Keoneth Clarke, the cbancellor of tbe Excbequer, unveiled plans to force Whitehall departments to seek outside funding for all capital spending.

One area identified where private finance might work was in as yet unprivatised organisations such as London Underground and the Post Office, which could buy in many services. "Does London Underground need to own the pumps which keep its tunnels dry, electricity power stations, its escalators and its signalling?" Sir Alastair asked.

Scientists advise changes in diet

By Roderick Oram, Consumer Industries Editor

Food manufacturers broadly welcomed yesterday a report recommending changes in diet to help reduce the UK's level of coronary heart disease, which is among the highest in Europe.

Leaks about the report during the summer prompted heavy lobbying by the Food & Drink Federation and some of its members such as Cadbury Schweppes, the confectionery and soft drink maker, Tate & Lyle, the sugar refiner, and United Biscuits.

They believed that the report by the cardiovascnlar review group of the Committee on Medical Aspects of Food Policy (Coma) wonld make detailed dietary recommendations suggesting, for example, cuts in consumption of sweets and biscuits.

Yesterday, bowever, Dr Kenneth Calman, the government's chief medical officer, distanced tbe government from some of the report's recommendations such as a reduction in salt consumption. He also stressed that the committee's recommendations were only broad guidelines and that the government's own nntrition targets remained unchanged.

Some Britisb companies such as United Biscuits are already offering a far wider range of reduced-fat products outside the UK than at home.

Coma's most controversial recommendation was a one-third rednction in salt consumption.

The report also recommends people should eat more vegetables, fruit, bread and potatoes and more oily fisb. They sbould also take moderate exercise.

A bealthier dlet wonld reduce the incidence of beart disease in Britain, said Prof Michael Marmot, Coma chairman. It remains higher than all European countries except Finland, tbe Republic of Ireland and the countries of central and eastern Europe.

Nothing left to luck

Operators of the UK's first national lottery believe they have ruled out system mishaps, says Vanessa Houlder

When the UK's national lottery is launched next week, the winning numbers will be picked by a mechanical structure resembling a Perspex cement mixer.

It is virtually the only low-tech aspect of the lottery, which will use a sophisticated infrastructure of terminals, network and processors to deal with up to 15m transactions an hour.

Although the equipment has mostly been tried elsewhere, its quantity and the short time available for its installation have won the lottery a place in the record books. Over the past 25 weeks, members of the Camelot consortium, which runs the lottery, have worked flat out to manufacture and install 10,000 lottery terminals, set np the communications network and train nearly 35,000 retail staff.

The most visible part of the system is the retailers' terminals, which scan customers' gamecards and print out the tickets that must be presented to claim any winnings.

The terminals, 27,000 of which should be installed by the end of 1996, have been designed by GTech, the US lottery operator and member of the Camelot consortium. It used a 10-year-old design, which has been upgraded by the addition of a liquid crystal display panel and a device to read bar codes on the tickets. GTech says the technology is tried and tested. "The design was already done, the technology was in place. The challenge was just the scale of the system," says Don Stanford, senior vice-president for technology.

Bob King of ICL, which built and installed the terminals, agrees. "The complexity simply comes from the very short timescale involved. The actual making of the terminal and installation of the terminal is straightforward," he says.

Racal, responsible for linking the terminals with the lottery processing centres at Rickmansworth, outside London, and Aintree, in the north-west of England, has also used relatively old technology. "The timescale was extremely aggressive. You could not afford any new design or risky technology in case there was a hiccup," says Steve Hodson, executive technical manager.

The data will he transmitted using the X25 communications standard on what will be the UK's largest private terminal/host network. This is an upgraded version of a six-year-old network which connects government offices around the country.

Fingers crossed: newsagent Shobhana Patel with her terminal, which will scan customers' gamecards and print out tickets

Racal, which has added 25 per cent of extra capacity to the network, believes the two uses of the network will complement each other. For instance, the peak lottery traffic on Saturday afternoons will coincide with a low point in government activity.

Camelot is satisfied that its software incorporates adequate security devices to prevent hackers breaking in

Not all retailers will be connected to the central processors by landlines. In less populated areas, some 5,500 retailers will use satellite dishes, served initially by Eutelsat and eventually hy Orion.

Accuracy, security and robustness have all been important considerations in huilding the network. Racal is confident that no one can be cheated of their lottery winnings through an error in the transmission of the data. "The chance of getting an error is infinitesimally small," says Hodson.

Likewise, Camelot says it is satisfied that its software incorporates adequate security devices to prevent hackers from breaking into the system.

The designers of the system have also tried to ensure that it can cope with the failure of processors or cahles. If one processor fails, the Rickmansworth and Aintree sites between them have three other processors that could act as back-ups.

It also has tried to ensure that a failed line will not disrupt the lottery. At Rickmansworth, Mercury and BT have five different cables running into the huilding through separate ducts. As the system fans out to the retailers, only the last mile of cabling lacks the back-up of a second line. "It is a balance of cost against reliability," says Hodson.

It may take years before the system shows itself able to cope with all contingencies. Bnt next week will provide the system's first and most challenging test. Camelot claims to be confident, as a result of its past experience with the technology. Unlike its customers, it trusts that nothing has been left to lnck.

Farmers turn to genetic control

The farming industry could be on the hrink of an important development in pest and disease control that would boost production levels to new heights. Gene transfer technology may be on the market in the next few years, but its success depends largely on public acceptance.

Scientists are using biotechnology methods to create insect and disease-free versions of widely consumed crops such as maize and wheat. Species that are resistant to specific insects and diseases have been developed by Micogen, Pioneer Hi-Bred, Monsanto, Ciba, Hoechst, Schering and others. Applications to get some of these products on the market are now before the US Environmental Protection Agency.

The Food and Drug Administration in Washington said earlier this month that it would not oppose the development of two pest-resistant crops, a virus-resistant squash (marrow) developed hy Asgrow and a beetle-resistant potato from Monsanto. These still have to win approval from the EPA, hut it is a step towards the market place.

If all goes well, the market could be vast. US farmers alone spend about $600m (£366m) a year to combat pests and diseases in plants. Much of that money could in the future go to biotechnology.

But the industry is concerned that public opposition could slow the process. Americans are believed to be open to the idea of transgenic crops, but scientists say their acceptance is far from guaranteed. Many Americans oppose the transgenic Calgene tomato which was approved by the FDA a few months ago.

Ironically, the surge in opposition to genetically engineered food products comes as the EPA is hoping to encourage use of transgenics in farming. The agency believes biotechnology can cut the use of chemical pesticides, which are of increasing concern. On the back of recent research illuminating the profound health risks of pesticides, the EPA announced this month it would consider outlawing a number of chemicals.

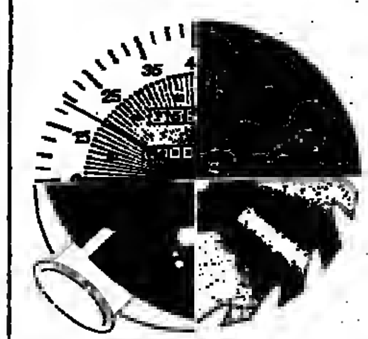
Transgenic disease-resistant crops are created by splicing a specific gene into a plant. The gene causes the plant to produce enzymes which protect it from predators. Proponents of the technology say it is more effective than pesticides, since the entire plant is immunised.

The main environmental concern of the transgenic crops is that their widespread use could cause insects and diseases to become rapidly resistant themselves. Under normal circumstances, pests gradnally build up immunities to chemicals and other products. Because the transgenic crops are so efficient, environmentalists say, this process may be accelerated.

Although this is a risk, Elizabeth Milewski, a special assistant for biotechnology at the EPA believes the new technology should be pursued enthusiastically. "These transgenic plants fall into what we call the low-risk category. They can be much safer than pesticide-treated crops."

Victoria Griffith

Worth Watching · Vanessa Houlder



Early warning on Alzheimer's

More than a quarter of cases of Alzheimer's disease are thought to be incorrectly diagnosed. This disease, which inflicts progressive memory loss on almost one in 10 people aged over 65, can only be definitively identified hy an examination of brain tissue.

US scientists, writing in today's Science, believe they have found a simple test for Alzheimer's which would allow it to be detected at an early stage. They found that patients suspected of having the disease were hypersensitive to the pupil-dilating effects of tropicamide.

The scientists, who work at Harvard Medical School, Brigham and Women's Hospital in Boston, Beth Israel Hospital in Boston and Northwestern University Medical School in Chicago, found that the tropicamide eye-drops, which were tested on 58 individuals, were 95 per cent accurate in identifying the diseased patients.

The scientists believe that the tests could identify sufferers before the onset of symptoms, when they could benefit the most from potential treatments.

Harvard Medical School: US, tel 617 432 0440; fax 617 432 0446.

Transgenic mice make collagen

Dutch scientists have bred "transgenic" mice that are capable of producing human collagen in their milk.

This development, which was achieved through injecting the relevant gene into a mouse's fertilised egg, is seen by the researchers as a step towards their goal of producing human collagen from the milk of transgenic dairy cattle.

Gene Pharming Europe, a Leiden-based transgenic technology company, working in partnership with Collagen Corporation of California, believes that transgenic farming techniques could be a cost-effective method of producing large volumes of collagen, which is used for the treatment of burns, fractures and stress incontinence.

Gene Farming Europe: The Netherlands, tel 71 247400; fax 71 216507.

Computer with face, ears and feet

Compaq Computer, the world's largest personal computer company, has produced prototype novelty PCs – one called Mr PC Head – in an attempt to increase sales to home users, *writes Geof Wheelwright.*

It recently asked a group of seven- and eight-year-old children what they thought the ideal computer would look like. The result is the Mr PC Head prototype, which looks like a computer monitor with a face, ears and feet.

Although it may never become a commercial product, the effort demonstrates how keenly Compaq is studying what it believes is a vast potential consumer market. It believes that PCs will need to look and operate a lot more like traditional consumer electronics products if they are to make further inroads into the home.

Compaq: US, tel 713 370 0670.

Magnesium served up on a plate

A UK electroplating company believes it has found a method of plating magnesium which will allow the metal to be used more widely in precision engineering.

The lightness and strength of the metal makes it an attractive material for equipment such as portable telephones but its susceptibility to corrosion has been a serious drawback.

Magnesium's high reactivity has hampered previous efforts to plate the metal. But Ingram & Glass, a Godalming plating company in conjunction with PMD (UK), a Coventry chemicals company, has developed a process which combines electroless nickel technology with magnesium chemistry that permits the mass production of plated magnesium die-castings.

Ingram & Glass: UK, tel 0483 415262; fax 0483 426951.

MANAGEMENT

How do you respond to the advice of a troubleshooter? **James Buxton** looks at the case of Charles Letts

Go away, Sir John

Fergus Wilee

Bill Gore tried not to be influenced by the comments of John Harvey-Jones (inset)

When former company doctor Bill Gore became chief executive at the diary maker Charles Letts last year, the problems he was to tackle were already known in outline to several million people.

A few months earlier Sir John Harvey-Jones, former ICI chairman-turned business guru, had breezed through the company in his popular Troubleshooter 2 television series as well as devoting a chapter of a book to it.

Harvey-Jones had been called in by the Letts family (which then controlled the company) after it plunged heavily into loss in 1991. He examined its core diary publishing business and concluded it suffered from excess costs and too little capital, and was split inefficiently between a sales team in London and the printing plant at Dalkeith near Edinburgh.

As for the company's diversification into book publishing, the division required more capital than Letts could afford and should be sold.

All this was pungently conveyed to the urbane but wincing owners and managers of Letts in an agonising televised session. Later Harvey-Jones lamented to the camera that the Letts management "have taken some actions, but not the ones that I would wish them to. I don't think that the family are yet sufficiently worried to take the actions I think they should."

That was in December 1992. The dramatic (but untelevised) sequel was that within weeks Letts' bankers Hambros, which had been supporting the business with loans and preference shares, lost confidence in the company's management under Anthony Letts, chairman from the sixth generation of the family.

Gore was asked by Letts' accountants at the time, Coopers & Lybrand, to draw up a recovery programme. In June 1993, at the insistence of Hambros and 3i, which had an equity stake in Letts, he became chief executive.

The company was supported at the end of 1993 by a refinancing package worth £16m which came from Hambros, Morgan Grenfell, 3i and the new management. The Letts family's stake was drastically cut from 58 per cent to 15 per cent.

Gore had not seen the Troubleshooter programme – and took took care not to watch the video so that he would be able to make up his own mind. But he too decided that many of the company's recent efforts to restora profitability amounted only to tinkering. He reckoned Letts had "a good wide customer base and a good name, but an excess of costs and an excess of unnecessary activity". However, he did not do everything Harvey-Jones suggested.

One glaring source of excess costs was never identified as a problem by Harvey-Jones, even though he was often filmed visiting it – the company's stylish headquarters in Battersea, which was costing £1m a year in rent.

"I regarded that as fundamental," says Gore. He quickly struck a deal with the landlord under which the building was leased to a new tenant at no cost to Letts and the remaining staff moved to Dalkeith.

Like Harvey-Jones, Gore focused on the books publishing business and decided it had been rendered unviable by the sale in 1992 of its profitable line of examination revision guides, leaving a range of lifestyle books without the revenue to meet overheads. The division was sold at the end of 1993.

A recurrent theme of the TV programme was that Letts should sell Mayfair Trunks, a shop in London that sells luxury goods. It was small but losing money, did not sell many Letts products and should not have been acquired, Harvey-Jones said.

But Letts has not sold Mayfair Trunks. "It is not draining cash and we have cut the staff to two," Gore says. "It's not worth spending management time on it. When rents improve we will find a good home for it."

Across the organisation Gore has trimmed surplus layers of management, shedding staff in the process. Of the three executives from the Letts family, all in their late 50s, Martin Letts and his cousin Timothy retired, while Anthony moved, "after some quite fundamental discussions", from being executive to non-executive chairmnn and stepped down last August, remaining a director. Charles Latts, another family member, is a management trainee.

Staff were also cut in the US, where Letts distributes diaries. Initially the new management attempted to diversify into producing corporate gifts, an idea proposed by Harvey-Jones, but it has since changed its mind and pulled out of that operation.

The most important part of the business is the diary operation, which claims a quarter of tha UK diary market but was, Gore says, under-performing and inflexible. The production process for printing standard diaries was too slow and it was taking too long to design and manufacture customised diaries for corporate clients.

Gore praises the GMBU general union at Dalkeith for understanding "tha commercial realities of lifa" and abandoning the annual three-week works shutdown in midsummer, switching to staggered holidays and a system of working 30-hour weeks in the first half of the year and 45-bour weeks in the second half.

Production staff were put ioto small groups to analyse problems. "We ideotified the main problem as the slowness of changing plates in tbe presses at the eod of a print run. We have now got that down by half, cutting the total production time by 25 per ceot," Gore says.

Reflecting the slimmer company, turnover on continuing activities dropped from £30m in 1993 to £23.6m in the year to January 1994. A loss of £7.5m was reduced to £785,000. It made an operating profit of £2.2m.

In retrospect Gore feels Harvey-Jones's investigation was a mixed blessing. It focused the attention of management and unions, and of the banks and investors, on the need for something to be done, and "belped identify the real problems". But, as a result of the programme, "our customers withdrew a little bit [out of nervousness about the company's future] and certainly didn't come up with new proposals. And our sales force was left a little dead in tha water". In fact, he says: "I'd like to see that man go away." It's the sort of bluntness Harvey-Jones would respect.

Dangers of the office 9-5

FT writers look at ways to combat violence in the workplace

Workplace violence is escalating rapidly in the US. In California alone, workplace homicides surged from 159 deaths in 1992 to 195 last year, and the final tally for 1994 is likely to be even higher.

Ironically, the epidemic of violence has spread as the total number of workplace fatalities has diminished.

"We've become good at preventing death in other categories such as contact with hazardous chemicals and falls," says John Howard, director of the California Division of Occupational Safety and Health (Calosha). "But violence is still a big concern."

Homicide accounts for 17 per cent of all workplace fatalities in the country, just behind motor vehicle accidents, according to the Bureau for Labour Statistics. The National Occupational Safety and Health Administration says it is working on recommendations to counteract the problem.

Although tbe US medla has recently highlighted violent acts by disgruntled employees, most incidents occur during robberies.

"These workplace risks bava been ignored in the past because they are seen as part of a larger crime problem," says Guy Toscano, an economist with the US Department of Labour. "But they are so big we must pay attention to them."

Taxicab drivers are murdered at higher rates than workers in other professions, accounting for 26.9 per cent of the US total, according to the National Institute for Occupational Safety and Health (Niosh).

Liquor store workers are next in line, accounting for 8 per cent. Other risky places to earn a living are petrol stations, detective services, grocery stores, jewellery stores, hotels, restaurants and bars.

Non-fatal assaults also plague American workers. More than 670,000 Americans were assaulted at their place of employment in 1992, according to the National Crime Victimisation Survey, and the figure represents about 11 per cent of all violent crimes in the US.

"Besides tbe risk to workers, these incidents affect businesses because of missed work and decreased productivity," says Howard. A substantial number of victims are carers in nursing homes and hoapitals. They are usually injured by their patients.

Niosh and Calosha guidelines advise stores to keep their car parks as brightly lit as the local law allows, to post signs that a limited amount of cash is on hand, and to install silent alarms.

They suggest that employers in health care and other aervice industries instruct workers in how to defuse bostile situations involving patients or clients, to install alarm systems or panic buttons as a back-up and to consider establishing a buddy system or hiring security personnel.

Workplace crimes of passion by disgruntled employees, or a worker's spouse, friend or lover are not as common as other assaults. But Calosha recommends that employers look for tell-tale signs that a person may become violent and ensure that employees with severe emotional problems have someone to turn to, sucb as a staff psychologist.

Offices should be closed late at night and early in the morning (most attacks occur between 6pm and 10am). Employees should be discouraged from working in offices alone, and employers should encourage female employees to let them know if they are being stalked.

Victoria Griffith

Guidelines for safety

British employers are neglecting their duty to prevent violence at work, a national charity which specialises in personal safety issues claimed this week.

Under the 1974 Health and Safety Act and the 1992 Health & Safety at Work Regulations, companies are legally required to carry out assessments and establish agreed procedures for all types of risk.

According to the Suzy Lamplugh Trust, however, "what actually happens is that risk assessment tends to be carried out only for industrial accidents involving machinery or toxic substances; employers do oot recognise that personal attacks on staff sbould be included in this process".

In a bid to raise employer awareness the trust has just published guidance notes aimed at reducing the risks of violence and aggression at work. They have been formally endorsed by the government's Health & Safety Executive, the Confederation of British Industry and the TUC.

Until the HSE incorporates violent incidents at work into the revised Reporting of Injuries, Diseases and Dangerous Occurences Regulations the extent of the problem will be unclear. But the trust believes that workplace violence is increasing faster than violent crime in general and estimates that there are an average of 35,000 incidents per year, three quarters of them assaults on staff by the public.

The guide argues that both employers and employees have a common interest in reducing violence, citing the impact on morale, image and recruitment. "It can also mean extra costs, with absenteeism, higher insurance premiums and compensation payments."

Risk assessment is summarised in five steps: look for the hazards; classify all incidents; search for preventative measures, deciding whether existing precautions are adequate; create a company policy and procedures and put it into practice; check that tha measures work – review and, if necessary, revise tha assessment from time to time.

The trust warns that self-defence courses "need to be viewed with great caution". They need to be well taught though "however much training a person is given there will always be times when that person is not on top form". Avoidance is the best option: "In any violent physical contact everyone will be hurt and if an employee responds with active aggression he or she may risk a counter claim of assault."

Tim Dickson

**Suzy Lamplugh Trust, 14 East Sheen Avenue, London SW14 8AS. Guidance for employers £2.50, employee booklet £1.00, comprehensive package (including video and resource manual) £199 plus VAT.*

LEGAL NOTICES

No. 006215 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF ICCH LIMITED
-and-
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the High Court of Justice, Chancery Division dated the 26th October 1994 confirming the reduction of the capital of the above named Company from £15,000,000 to £6,750,000 and the Minute approved by the Court showing with respect to the capital as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on the 27th day of October 1994.

Dated the 3rd day of November 1994.
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors to the Company

RJM ENGINEERING LIMITED
JOINT ADMINISTRATIVE RECEIVERS
APPOINTED 30 SEPTEMBER 1994

Notice is hereby given, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at 1 East Parade, Sheffield, S1 2ET on 23 November 1994 at 10.30am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if a) they have delivered to us at the address shown below, by no later than noon on 22 November 1994 written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Dated: 1 November 1994
Signed: D.J. Stokes for the Joint Administrative Receivers, Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

GREEK EXPORTS S.A.

FOUNDED AND OWNED BY ETBA SA

ANNOUNCEMENT OF A SECOND REPEAT PUBLIC AUCTION FOR THE SALE OF THE ASSETS OF VIEL S.A. - COATED ABRASIVES INDUSTRY, NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 17 Panepistimiou Street, in its capacity as liquidating company following decision No. 9583/1992 of the Athens Court of Appeal and in accordance with Article 46a of Law 1892/90 as complemented by Article 14 of Law 2000/91 and supplemented and amended by Article 53 of Law 2224/94 and within the framework of written instructions dated 20.9.1994 from ETBA S.A. (basic creditor and shareholder of VIEL S.A.)

ANNOUNCES

a second repeat public auction for the highest bidder with sealed, binding offers for the purchase, as a whole, of the total assets of VIEL S.A. now under special liquidation.

BRIEF DESCRIPTION OF THE COMPANY

VIEL S.A. was established in 1981 (Govt. Gazette 2627/81) and set up a modern industrial unit for the production of coated abrasives in the Patras industrial estate on a plot of about 12,806m². The factory has a surface area o 3,568 m² and auxiliary buildiogs an area of 586m². The basic machinery was built and installed by BRUCKNER of Germaoy and JGEL of Austria.

During the first months of liquidation the company was semi-operational. However, in April 1993, as a result of serious financial problems, the factory was closed and is now non- operational.

TERMS OF THE AUCTION

1. Interested parties are invited to receive from the Liquidator the Offering Memorandum and draft Letter of Guarantee in order to submit a sealed, binding offer to the notary public appointed to the auction, Mrs Andrioni-Dimitra Zapheiropoulou-Economopoulou, 18 Voukourestiou St., 5th floor, Tel. +30-1-361.8249 up to **Monday, 5th December 1994 up to 1400 hours.**

Offers must be submitted in person or by a legally authorised representative.

Offers submitted beyond the stated time limit will not be accepted or considered.

2. The bids will be unsealed before the above-mentiooed notary on **Tuesday, 6th December 1994 at 1200 hours**, with the Liquidator in attendance. Parties having submitted bids within the prescribed time limit are also authorised to attend.

3. The sealed, binding offers must clearly state the offered price and method of payment (cash or credit, the number of instalments, the time period over which the payments are to be made at a fixed interest rate during the entire period of settlement).

4. Offers shall be null and void unless accompanied by a letter of guarantee from a bank legally operating in Greece. The letter will be valid until the signing of the contract and will be to the amount of **fifty million drachmas (50,000,000)** for VIEL S.A. - COATED ABRASIVES INDUSTRY.

5. The Company's assets and all fixed and circulating elements that comprise them, immovables, movables, claims, rights etc. are to be sold and transferred as is and where is, and, more specifically, in their actual and legal condition and location oo the date oo which the sale contract is signed, regardless of whether the Company is operating or not,.

6. The Liquidator, the Company and the creditors representiog 51% of the total claims against the Company (Law 1892/90, article 46a, para. 1 as in force), shall bear no liability for any legal or actual defects or for any deficiency in the particulars of the effects for sale or rights, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of sigoature of the sale contract, shall prevail.

7. Prospective buyers, hereinafter referred to as Buyers, shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of the law, the Buyers, having agreed in writing to maintaio confidentiality, may receive the Offeriog Memorandum and may have access to any information they may require concerning the Company for sale.

8. Offers must not contain terms upon which their bindingness may depeod or be vague with regard to the beight of the amount offered or its method of payment or to any other essential matter affecting the sale.

9. On all points concerning the business plans of prospective buyers (job positions, height of investmeots, duration of operation, etc.) as well as on any other terms that may be agreed upon, the Buyer must accept clauses and other terms which will guarantee adherence to commitments. In order to guarantee payment of the amount on credit, the sale contract will contain a dissolution clause and first mortgage, or other guarantees (bank guarantee, etc.) to be considered adequate by the creditors.

10. The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the creditors as being the most satisfactory.

11. In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the preseot announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation oo his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank. Letters of guarantee accompanying the offers of other bidders, except the highest bidder, will be returned to them immediately after the adjudication of the auction.

12. The Liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to his proposal of the highest bidder. Also he is not responsible and has no obligation to participants in the auction io the event of a cancellation or nullification of the auction for any cause or reason whatsoever.

13 Participants in the auction who have submitted bids do not acquire any right and can make no demand or claim on the strength of this announcement or of their participation, against the Liquidator or the creditors for any cause or reason.

14. The transfer expenses of the assets for sale (taxes, VAT charges on the value of the movables, stamp duty, notary fees and mortgagor fees, rights and other expenses for drawing up topographical diagrams as per Law 651/1977, etc) will be borne by the buyer.

15 Participation in the auction implies acceptance of the terms of the present announcement.

For any further information please apply to:

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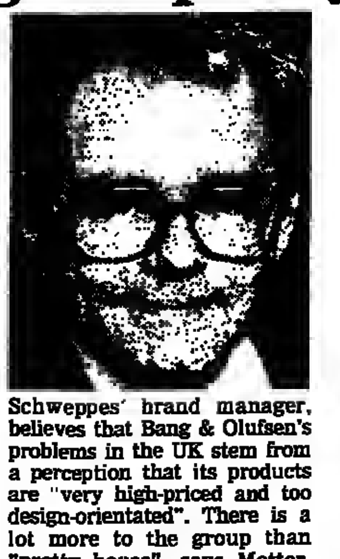
More bang for 'pretty boxes'



Derek Mottershead, 47, the former chief executive of Prontaprint, has been given the joh of putting the bang back into the UK business of Bang & Olufsen, the 70-year-old Danish family firm which makes specialist TV and audio products.

Bang & Olufsen, a minnow in a market dominated by multinationals, made a name for itself because of its flair for design and clever technology. However, the company lost its way at the end of the 1980s and sales in the UK, which was once tbe company's biggest overseas market, have fallen by around two thirds from a peak of around £40m a year.

Just over three years ago a new management team took over in Denmark and the company's fortunes have been recovering. Mottershead, who started out as a Cadhury Schweppes' hrand manager, believes that Bang & Olufsen's problems in the UK stem from a perception that its products are "very high-priced and too design-orientated". There is a lot more to the group than "pretty boxes", says Mottershead.

While most of Bang & Olufsen's competitors concentrate on volume and prices, Mottershead believes that the key to success is to use the combination of the Danish firm'a technical innovation and styling to promote "life style" products.

Mottershead, a former chairman of the British Franchise Association, joined Prontaprint, the Darlington-based print and business service franchiser, in 1987 and doubled turnover over the next four years. The company was taken over the following year and in September 1992 Mottershead led a management buy-out. He resigned as chairman and managing director of Prontaprint in August 1993 because be says that be was fed up with commuting between two homes at either end of the country.

William Hall

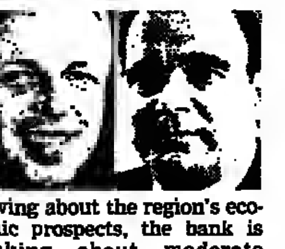
■ Pizza Hut UK has found a replacement marketing director fur Paula Vennells, who first was and then later wasn't going to join from Dixons in the same capacity, before she decided that a job with Sears offered better prospects.

The new marketing director will be Peter Masten, a 42-year-old Australian, who has been with the group for two years. Before this latest post be was vice-president and general manager of Pepsico restaurants, east Europe.

Maslen spent 16 years from 1976 with Mars before joining Pizza Hut. He beld a wide range of marketing, sales and manufacturing posts with Mars; his ultimate job with the company was regional director and general manager in Asia.

■ Ron Shakesheff, chief executive of Bowater Windows, has been appointed to the main BOWATER board.

Lloyds: limbering up in Latin America



Time was when the Bank of London and Soutb America was one of the higgest names around in Latin American banking. No tonger. And Latin America was one region of the world wbere its successor - Lloyds Bank - has retained a significant presence as it pulled in its horns elsewhere to concentrate on the British market. It and its subsidiaries and affiliates still employ 3,600 people in the region.

For most of the deht-distressed 1980s, however, it was a case of slimming down and staying pnt. Now, with hopes growing about the region's economic prospects, the hank is tbinking ahout moderate expansion.

The two people charged with this are Freddy Gihbs (above teft), a banker of 35 years' standing who is based in São Paulo, where he'll stay to be general manager of the hank's Latin America southern region. He will be responsible for the bank's operations in Brazil, Argentina, Paraguay and Uruguay and keep an eye of Chile, Peru and Bolivia.

In Argentina, where the bank has been operating for 130 years, the bank employs about 800 people, the same number as work in Brazil - where Lloyds also has a 51 per cent stake in the wholesale bank, Multiplic.

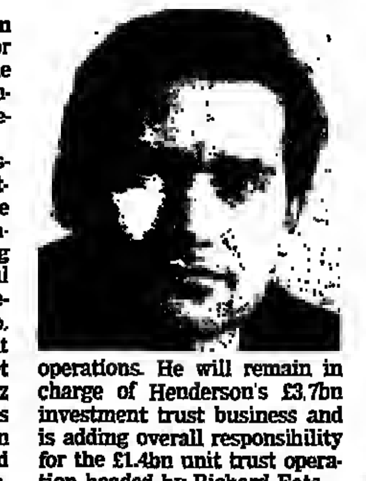
Alexander Asbton (near left), a Lloyds banker since 1972 with experience in Europe and the Middle East, takes over the northern region and will be based in London. He will be responsible for the bank's operations in Honduras, Guatemala, Panama, Ecuador and Colombia. "One thing we hope to do is get more involved in the financing of trade within tbe region which is growing quickly hut quietly at the moment," he says.

Stephen Fidler

■ David Ballance and William Davies have been appointed directors of THREADNEEDLE INVESTMENT MANAGEMENT.

■ Robert Clarke has been promoted to the board of ELECTRA KINGSWAY.

CEGB sparks de Sausmarez' investment career



The Central Electricity Generating Board would not seem to be the best starting hlock for a career in fund management. But it doesn't seem to bave hampered the rapid rise of James de Sausmarez who has just got the joh of running Henderson Administration's retail division.

De Sausmarez, 35, joined the Touche Remnant investment trust group from the CEGB as company secretary in 1986 and was not appointed a manager in the investment trust departmeot until April 1990.

Following Henderson's acquisition of TR in December 1992, de Sausmarez was put in charge of the combined Hendersoo Touche Remnant Investment Trust operation and has been responsible for the rapid growth of one of the more successful parts of Henderson's £13.7bn fund management business.

In some respects de Sausmarez is following in the footsteps of Paul Manduca, 42, the former head of Touche Remnant who was made managing director of Henderson's retail husiness following tbe takeover just under two years ago. Six months ago Manduca quit to head Threadneedle Asset Management. De Sausmarez will have the same title as Manduca bnt be has not been given a seat on the board and will not be in charge of Henderson's private client operations. He will remain in charge of Henderson's £3.7bn investment trust business and is adding overall responsihility for the £1.4bn unit trust operation headed by Richard Eats.

Despite de Sausmarez's rapid rise, it is understood that he is unlikely to follow in Manduca's footsteps as the heir apparent to Jeremy Edwards, 57, Henderson's managing director wbo is expected to retire within the next two years. Henderson is understood to he looking outside for Edwards' replacement.

■ David Watson, 35, formerly director, finance, at NatWest Securities, has been appointed to the same joh at tbe M & G Group. It is not a hoard appointment hut Watson will he the group's senior financial officer. Caroline Baker, 40, head of personnel at Towers Perrin, Tillinghast, has heen appointed head of personnel at M & G. *William Hall*

Looser lease terms

Simon London on calls for an industry-wide code of practice

At a secret meeting at the Department of the Environment last week, representatives of property owners, tenants and the professions started discussions aimed at changing the face of commercial leases.

Although the government said in July that it would not use legislation to abolish established practices such as upward only rent reviews and confidentiatity ctauses, Mr Tony Baldry, the environment minister, called on the industry to encourage flexihility on lease terms.

While many property owners boped tbat tbe minister's statement would be the end of the matter, last week's meeting proves that the issue of lease reform is very much alive in the corridors of power.

This sbould not come as a surprise. In July, Mr Baldry said that tbe government would look again at the operation of commercial leases in three years' time to see if the property industry had put its own house in order.

Given the state of the opinion polls and with a general election due by 1997, that might seem like an idle threat. But there is every chance that an incoming Labour government would see political advantage in championing the tenants' cause.

So what exactly does tbe government want? Mr Baldry's July statement gives some clues. The minister called for an industry-wide code of practice which would draw attention to the implications of upward only rent reviews and encourage flexibility on other terms.

Tbe code should also encourage greater openness - presumably by discouraging confidentiality clauses, which prevent tenants sharing information on rents - unless there are compelling reasons to the contrary.

Above all, a code of oractice should lead to a change of behaviour in the marketplace.

The Britisb Property Federation, which represents large landlords, has already taken the initiative by proposing a code which would remind tenants of their rights and draw attention to tbe possioility of negotiating different terms.

Mr Roger Carey, BPF president, said: "A 'health warning' of this kind would be very valuable and would do much to promote the flexibilty in lease terms sought hy tenants. Very importantly, it would not make the mistake of trying to interfere in the position of the parties but would leave them free to negotiate within prevailing market conditions."

The BPF argues that anything more prescriptive than this would alienate landlords.

"A Code of Practice which is not acceptable to owners will not he used and the whole issne will go back into the melting pot," Carey said.

But neither is it clear that a health warning would have much impact on market behaviour, in which case the government could simply return with legislation in three years' time.

The question is whether the BPF's proposals simply need to be strengthened or whether the code of practice needs to be more prescriptive.

The tenants' side of the argument is put forcefully by the British Retail Consortium. Mr James May, director geoeral, argues that landlords are in a much stronger position when negotiating with retail tenants than with office or industrial occupiers.

"The retail market is different because location is so much more important. Retailers need to be in certain prime locations of which there is limited supply often in the hands of a single owner. In these situations the balance of power is tilted too far in favour of the landlord," he said.

The BRC's argument is that retail landlords can be in a monopoly position, owning the prime sites in a particular high street or shopping centre. In snch circumstances market forces do not operate effectively.

Retailers would like more flexibility on the lease terms that landlords are prepared to accept. That might inclnde more rents linked to turnover, upward and downward rent reviews, and shorter leases.

"If we have to pay higher rents for more flexible terms so be it," said Mr May.

The BRC would like a code of practice which encourages a greater range of lease options for tenants and believes that something stronger than a health warning is required.

The interests of small business – landlords and tenants – also have to be taken into account. It is often the case that small landlords rely on a long-term secure income almost like a pension. Forcing these owners to accept more flexible lease terms could have an unpalatable side-effects.

The professional bodies such as the Royal Institution of Chartered Surveyors and the Law Society are caught in the middle of this argument. The institution, in particular, has to represent the interests of landlords, tenants and their professional advisers.

Mr Richard Lay, chairman of DTZ Debenham Thorpe, the surveyors, and the institution's commercial property spokesman, said: "The government instructed the industry to do something out of the blue. The first step is to try to decide what is achievable on the landlords' side and what is acceptable to the tenants."

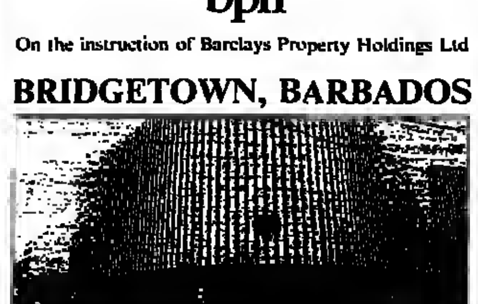
The question is whether the legitimate interest of all landlords in a secure income can be squared with the desire of tenants for greater diversity of lease terms without an element of compulsion.

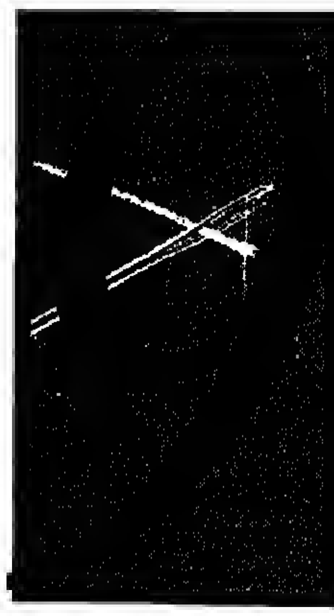
Shorter, more flexible leases became widely available through recession as landlords found their bargaining position weakened. The traditional 25-year "institutional" lease has been reduced to 15 years or less.

Mr Baldry appeared to acknowledge as much in July, when he said: "It is evident that the market is now providing a greater variety of lease terms . . . especially the availability of short leases".

The danger is that leases will become longer and less flexible as the economy improves and the balance of power tilts back in favour of landlords to a degree that the government views as unacceptable.

Despite taking a hard line in public, many big landlords recognise that they may have to give away slightly more than the BPF's "health warning" proposal to avoid legislation. It is now up to tenants to articulate more clearly what kind of code of practice they would like.





ARTS

Musical farce and honour

Andrew Clark visits the Massenet festival in Saint-Etienne

No French city has found a niche in the music market as deservedly as Saint-Etienne, home of the biennial Massenet festival. During his lifetime, the composer turned his back on his birthplace, and the city today – a dowdy mining centre just off the *massif central* – is a tourist's disaster area. But in recent years Saint-Etienne has developed a useful business in Massenet revivals, and the music world is taking note.

First came *Amadis* in 1988, then *Cléopâtre* in 1990, *Esclarmonde* and *Grisélidis* in 1992, and now *Panurge* and *Le Cid*. *Thaïs* and *Marie-Magdeleine* are promised for 1996. When you consider how little the French have done to explore the lesser-known works of Berlioz or Chabrier, Saint-Etienne is serving Massenet rather well.

The local opera company throws FFr9.5m (£1.1m), or 25 per cent of its annual budget, into ten days of music. Sponsorship from France Telecom and a recording deal with Koch-Schwann help to pay for the soloists. At the last two festivals, money seemed plentiful. This year bore signs of cost-paring and under-preparation. Unlike 1992, the local orchestra shouldered the burden of work alone – which may explain the sub-standard playing in *Panurge*. Few of the principals showed the familiarity with their roles that one expects at a festival.

Panurge, a three-act musical farce, had not been performed since 1913, the year of its posthumous Paris premiere. Based on a novel by the 16th century French writer Rabelais, it tells of the misunderstandings, adventures and eventual reunion of Panurge and his wife Colombe. Some of the action has a whiff of sit-com – as when Colombe, trying to make her errant husband jealous, confesses her supposed infidelities to a gossiping priest, who is none other than Panurge in disguise. The music is slight and full of parody (has any other composer written a sheep's chorus?), and there is some subtle 16th century pastiche. But Massenet could have written it in his sleep.

The Saint-Etienne production, staged and designed by Adriano Sinivia, looked more like a half-baked Gozzi pantomime than a comedy of the sexes *à la française*. The mobile toy-box sets resembled a children's playpen; the costumes could have passed muster for *Jack and the Beanstalk*. Worst of all, the action was no naughtier than a Sunday school tea-party. The work cries out for the irreverent approach of a Jérôme Savary. But *Panurge* is unlikely to get another chance.

Stronger characterisation of the principals would have helped. The title role – written, like Don Quichotte, for a *basse chantante* – requires greater comic skills than Jean-Philippe Courtis could offer. He was too noble in bearing, too frayed of voice. Colombe, an unusually down-to-earth Massenet heroine, was decently sung but unimaginatively acted by Hélène Perraguin. Desmond Byrne's Pantagruel, imprisoned for much of the evening in an outsize mechanical costume, was a strait-laced master of ceremonies. The casting of smaller roles was barely adequate.

Saint-Etienne's young music director, Patrick Fournillier, drew much more secure playing in *Le Cid*: it was hard to believe that the clarinet obbligato in the famous soprano aria "Pleurez, pleurez mes yeux" came from the same orchestra as the scratchy violin soloist in *Panurge*. But the chorus *was* different – and what a disciplined sound the Lyon Opéra chorus made! The fact that *Le Cid* was being recorded had clearly influenced the allocation of rehearsal time.

Based on Corneille's play of love versus honour, *Le Cid* is a four-act grand opera in the Meyerbeer tradition, written immediately after *Manon* and before *Werther*. It may lack their intimacy, but it shares their creative vitality. The concert setting, with only two minor cuts, underlined Massenet's skill as a musical dramatist: heroic writing for tenor and soprano, atmospheric choruses, a sense of urgency in the duel scene, and ballet music in the best French tradition of fake Spanishry – all infused with characteristic refinement. It was written for first-class voices (the De Reszke brothers among others), and demands a spectacular staging. Saint-Etienne provided neither, but somehow got away with it.

Michèle Command was the formidable Chimène, a little unyielding in the gentler moments but rock-steady in attack. Chris Merritt was a rough-and-ready Rodrigue, lacking the tonal resonance and clarion ease the part demands. As Don Diègue, Jean-Philippe Courtis was in better voice than his Panurge 24 hours earlier. Marcel Vanaud was the stentorian king, and the veteran Gabriel Bacquier made a short but effective contribution as the Count of Gormas. Maryse Castets's pure soprano was ideal for the Infanta.

Le Cid was preceded by a recital by Didier Henry, the young French baritone who – like most soloists at the festival – spends most of his time on the French provincial opera house circuit. His opening Massenet group was marred by offstage noise and a husky tone quality, but the voice took wing in Ernest Moret's "Tu me donnas ton coeur", revealing ample colour and an easy top. Best of all was the gentle melancholy of Massenet's settings of poems by Armand Sylvestre, beautifully accompanied by Angeline Pondepeyre.

Strait-laced: Desmond Byrne as Pantagruel in Massenet's 'Panurge'

Theatre in London

Suzuki's austere 'Tale of Lear'

The Japanese often have a way with Shakespeare. One thinks particularly of Ninagawa's stage production of *Macbeth* and Kurosawa's spectacular film *Ran*, based on *King Lear*. Both combined grace with brutality to bring the plays searingly to life.

Tadashi Suzuki's *Tale of Lear* (staged at the Barbican as part of the *Everybody's Shakespeare Festival*) has the austere beauty you might expect, but it is equally one of the bleakest versions of Shakespeare's tragedy I have ever seen. It is cruel, cold and resolutely unmoving.

Suzuki takes as his cue Lear's piteous cry, "O! let me not be mad, not mad, sweet heaven", and extrapolates from this a production that draws on the deep fear we all have of old age, loneliness and dementia. His Lear is not a king, but a solitary old man in a sanatorium, who is reading the play. He falls asleep and, as he dreams, the characters in the tragedy melt out of the walls (literally, it appears, on the ingenious set of sliding doors) to act the play and suck him into it.

Soon he and Lear are interchangeable and we are not certain whether the characters are figments of his imagination or other inmates of the asylum. Suzuki deliberately blurs this distinction by having Edgar creep past in the background in his Poor Tom rags after the tragedy is over.

The play is distilled to under two hours, the all-male cast acting out only the harshest points of the plot, and nearly every redeeming feature is cut out. There is no Kent, and *Cordelia makes only the most fleeting* of appearances, so that almost everyone on the stage is either mad or bad. Even the fool is replaced by a nurse, a sinister, mocking body who seems to derive a sadistic glee from her charge's distress.

In the confusion as to what is real and what is fantasy, Lear's tormented rambling about the cruelty of his children expresses the terror and paranoia that can afflict the elderly. Where Lear delivers his last speech about the finality of death, staring desperately at the audience, it seems he is chronicling his own demise and his fear of it, rather than that of his daughter.

Suzuki infuses his production with traditional Japanese techniques, perfectly executed. It is statuesque and beautifully lit and the actors, clad in ornate robes, glide about the stage as though on invisible castors, or scurry like leaves swept forward by a gust.

Uichiro Fueda as Lear himself moves with such slow, slow fluidity that he seems pulled by some invisible force. His Lear is grim and grudging, so unpleasant in his madness that he is not even pitiable. The heightened style makes it hard to stay engaged at times, and both Goneril and Regan have a disconcerting habit of cackling manically that puts you in mind of pantomime villains. For the most part, though, this sombre production is mesmerising – but it never moves you.

Suzuki has said that he sees the world as a hospital and all its inhabitants as patients. On the evidence of this production, he holds out little hope for a cure. As Lear dies on his own, agonised by his ravings and with no kind words afterwards to take away the sting, Suzuki presents a cold, comfortless world indeed.

Sarah Hemming

Goldoni falls flat

Good playwrights write for actors, bad playwrights despite them. Carlo Goldoni (1707-93) wrote scores of plays that were gifts for actors – but gifts that challenged them. So it is dismaying to feel the Lyric Hammersmith's new version of his *Mirandolina* fall flat. The Goldoni productions I have seen have taught me that, though you can *stage Goldoni in a wide variety of* ways, the key factor is vitality. Without spontaneity, without intensity, Goldoni evaporates, and we are left with little to watch but crummy old formulas. (Like Shakespeare and other great playwrights, Goldoni was forever reworking material.) Here, the six actors all seem to be working in different styles, and everything is laborious.

Mirandolina, an innkeeper, is very successful at getting men to fall in love with her – but she has to work hard to vanquish the Cavaliere, an avowed misogynist. She is no mere seductress; she has streaks both of the feminist and the androphobe. The air should be full of intelligent contest. Here, however, Caroline Quentin makes Mirandolina's methods so obvious that the Cavaliere (Reece Dinsdale) seems a dolt. The lines do not dance (though Quentin tries to make them do so); the actors underrate both Goldoni and the audience. They project forcefully into the theatre, but, because the personalities they project are stale, the effect is meagre.

The director is Dalia Ibelhauptaite. She directed a decent staging of Goldoni's *The Impresario from Smyrna* at the Old Red Lion this spring: decent, I now suspect, mainly because the tiny stage space gave the play an intensity that is *utterly absent here. The most successful* element of *Mirandolina* is also the most bizarre: Ashley Martin-Davies's scenery, which includes surreal effects – eg a blue piano hanging in the air – and daring clashes of colour. For the seduction scene, an orchard of suspended separate fruit descends to head height: so that Mirandolina lead the Cavaliere through a Hanging Garden of Eden, giving him bites of one apple *after another*.

But Designer's Theatre cannot carry Goldoni. Did Ibelhauptaite intend to elicit any correspondingly surreal acting style from her cast? If so, she has not succeeded. As the Conte, Graham Turner commits several cheap crimes: he employs a plebeian accent in an aristocratic role, he uses blatantly modern movements within exaggerated period costumes, and he tries making the same joke several times. The hangdog Robert Goodale is miscast as Mirandolina's important servant Fabrizio: no spark, too old. Tim McMullan's Marchese is that worst theatrical type, a *dull* fop.

Nobody listens to anybody else with any liveliness. Robert David Macdonald's new translation omits some minor characters, and, with them, some shrewd comedy. The English text has some clever "quotations" from Shakespeare – usually, however, juxtaposed with unstylish expressions such as "I mean". Poor Goldoni's clever play about one woman's efforts to win the battles of love and power has crumbled into a feeble English sex comedy in period frocks.

Alastair Macaulay

Lyric Theatre, Hammersmith

Concerts in Barcelona and London/**Paul Driver**

Contemporary and Russian sounds

The Spanish savings bank "la Caixa", based in Barcelona, supports a diversity of concerts; including an early music festival now in its 16th year, and has just started a contemporary music festival. Looking at once to international celebrity and local talent, this inaugural venture featured the music of America's senior composer Elliott Carter (86 in December) and of the notable Barcelona-born (in 1935) and based composer, Josep Soler.

The first of the concerts I attended was given by the London Sinfonietta and its new chief conductor Markus Stenz in the Fundació la Caixa's Centre Cultural. Carter's 1981 settings for tenor and ensemble of six sonnets by Robert Lowell, *In Sleep, in Thunder* (a Sinfonietta commission), came across in their marvellous intricacy with pungent force if not much tonal beauty, a *lack due not only* to the acoustics but to something insistently plain-voiced about the otherwise impressively deft singer Jon Garrison and to something stubbornly unlyrical in Carter's nonetheless intelligent vocal writing.

Josep Soler was represented by a short neo-classical concerto for harpsichord and five instruments which he wrote in 1969 to complement the famous work by Falla and which the Sinfonietta recorded back in 1976. The soloist, John Constable, conducting from the keyboard, secured a lively account of this sweetly bristling 12-tone music, though one discovered from next evening's concert that the taut idiom no longer reflects Soler's approach. His *Dos poemes per a orquestra* (1990-93), performed by the Orquestra simfònica de Barcelona nacional de Catalunya under Josep Pons, proved a somewhat neo-romantic affair, the first practically a concerto for pastoral oboe and rustling curtain of *divisi* muted strings with unlikely touches from synthesised organ; the second whipping things up a bit with a wind machine. Soler's language seems to have become dangerously eclectic, dicing with kitsch.

The two big movements of Elliott Carter's 1965 piano concerto were complex not in a playful but a geometrical way: a dense, often dark labyrinth. The American Ursula Oppens was the staggeringly dauntless, highly experienced soloist. Pons and the orchestra, with its *concertino* group gathered round the piano, performed with truly admirable courage and conviction, though never approaching an ideal balance of forces and seldom finding the ease and confidence to animate their jaggedly expressive polyphonic lines rather than just execute them.

Earlier in the week Oppens gave the Spanish premiere of a five-minute piano piece, *90+*, which Carter recently added to his ongoing series of luminous little tributes to colleagues, in this case the nonagenarian *Italian composer* Goffredo Petrassi. Pitched at a technical level which should not exclude the gifted amateur, it is a perfect epitome of Carter's dazzling metrical style and is built on 90 repetitions of the same pulsation, and then some more, as though to wish Petrassi a few years yet of active life. One certainly wishes Carter the same: he has just completed an orchestral piece for next year's Proms and is at work on a voice and piano song-cycle for next year's Aldeburgh Festival.

★

Russian music of very diverse character was played in two concerts on consecutive evenings at the Royal Festival Hall by two orchestras, both conducted by Russians. On Tuesday the Royal Philharmonic under its principal conductor Yuri Temirkanov gave a neatly contrasted, slightly daring programme which began with Prokofiev's Suite, Op. 33a from his 1919 opera, *The Love for Three Oranges*. These six, wonderfully crisp and witty movements were executed with panache.

Rachmaninov's three *Symphonic Dances* Op. 45 of 1941 were brought off well enough but seemed all the more jadedly conservative with the concert's marvellous middle item, the Concerto for Piano and Strings (1979) by a living Russian, Alfred Schnittke, still echoing in the mind. This often harshly dissonant work, Schnittke's third piano concerto, in this superbly thoughtful, elegantly shaped, powerful account, with soloist Dmitri Alexeev, came over as no more alienating than a darker piece by Sir Malcolm Arnold. The music, like Arnold's, touches on jazz and the RPO's principal double bass, Jack McCormack, plucked out his cabaret tones with style.

Though the concerto does, indeed, have its violent outbursts, they are only some of the strangely assorted collection of musical objects – including a quiet *Moonlight Sonata*-like triplet figure for piano, a near-pastiche of the Russian Hymn from the *1812* overture, and a glissando-ing string passage – which Schnittke's apparently zany but actually ironclad argument shows to be all of a piece. Alexeev and Temirkanov held one enthralled by the music's sheer dialectic.

On Wednesday the BBC Symphony Orchestra under its principal guest conductor Alexander Lazarev gave the UK premiere of the single movement Symphony No 7 (1986) by the Armenian composer Alfred Terteryan (born 1929). His music is *folk-influenced in a far from picturesque* way. Here he writes an obbligato part for the folk percussion instrument called the dap' (Timothy Darside), which sounded not unlike the Indian tabla. This sound was often multiplied 10 or 11 times by the percussion department, or echoed by a tape recording. A sort of musical prophecy of the Armenian earthquake of 1988, the symphony deals wholly in monolithic and austere ritual gestures, minimalist in material whilst maximalist in rhetorical power. A far cry from Schnittke's irony, but a cry deserving of attention.

INTERNATIONAL ARTS GUIDE

Degas portraits

A major exhibition of portraits by Edgar Degas (1834-1917) is being prepared by the Zurich Kunsthaus in co-operation with the Tübingen Kunsthalle. Sponsored by Credit Suisse, the show opens in Zurich on December 2, and will move to Tübingen next March.

Degas' earliest works as an independent artist were portraits: they count among his boldest paintings, remarkable for their intimate directness and innovative handling of form, posture and setting. His sitters were his family and friends – people whose habits and character he knew, and yet whom he was able to observe without sentimentality.

The exhibition will explore the overlap in Degas' work between the portrait proper and narrative *genre painting*, and the way Degas used the portrait to represent not just the person but also their vocation or activity. Degas' sitters are often presented as recognisable individuals, while at the same *time serving as models for a role* or general figure-type without specific character.

There will be a chance to see rarely-exhibited paintings from private collections, as well better-known portraits – such as Femme à la fenêtre from the Courtauld Institute in London, La femme en gris from the New York Metropolitan and Violoniste et jeune femme from Detroit.

■ EXHIBITIONS

AMSTERDAM
Van Gogh Museum Odilon Redon (1840-1916): 180 works exploring the artist's development, sources and influences. Ends Jan 15. Daily
Stedelijk Museum Asger Jorn *(1914-1973): retrospective of the* Danish artist. Ends Nov 27. Daily
Rijksmuseum Decorated Paper: a remarkable collection of marbled, chintz and brocade paper manufactured in and *imported into* the Low Countries from the early 17th century. Ends Feb 12. Closed Mon.
BARCELONA
Museu Picasso Picasso's Landscapes 1890-1912. Closed Mon (Carrer Montcada 15-19)
BERLIN
Brücke Museum Early Kandinsky: a survey of a little-known period in the German Expressionist's development. Ends Nov 27. Closed Tues
Altes Museum Eldorado: pre-Columbian gold treasures from South America. Ends Jan 8. Closed Mon
DRESDEN
Kupferstich Kabinett James McNeill Whistler: a rare German *showing of etchings and* lithographs. Ends Nov 25. Closed Sat and Sun
Albertinum Christian Friedrich Gille: retrospective of the 19th century German landscape painter. Ends Nov 27. Closed Thurs
FRANKFURT
Jüdische Museum The Rothschilds: an evocation in painting of the 250-year history of the famous *Jewish dynasty*. Ends Feb 27
Schirn Kunsthalle Nicholas de Stael (1914-55): retrospective of the Russian-born artist, documenting *his intense but tragically brief* career. Ends Nov 27. Daily
Jahrhunderthalle Hoechst Contemporary Art from the Collections of Frankfurt Banks. *Ends Nov 20. Daily*
THE HAGUE
Mauritshuis Paulus Potter's Animals: the first comprehensive exhibition of the work of Potter (1625-1654), *the animal painter of* the Golden Age in Netherlandish art. Ends Feb 5. Closed Mon
HAMBURG
Kunsthalle Rembrandt and his *Century: Netherlandish drawings* from the 17th century. Ends Jan 15. Closed Mon
LONDON
National Gallery The Young Michelangelo. Ends Jan 15. Daily
Tate Gallery James McNeill Whistler: the largest collection of the American-born artist's work since the memorial exhibitions held after his death in 1903. Ends Jan 8. Rebecca Horn: a retrospective focusing on her extraordinary machines and installations (coinciding with another Horn show at the Serpentine Gallery). Ends Jan 8. Daily
Hayward Gallery The Romantic Spirit in German Art 1790-1990. Ends Jan 8. Daily
Royal Academy of Arts The Glory of Venice. Ends Dec 14. Italian Renaissance Book Illumination. Ends Jan 22. Daily (advance booking 071-240 7200)
Royal Festival Hall Käthe Kollwitz (1867-1945): a collection of the *German artist's powerful and* emotive prints. Ends Dec 4. Daily
MADRID
Fundació la Caixa Kandinsky and Mondrian - Two Roads Toward Abstraction: an exhibition marking the 50th anniversary of the deaths of two great pioneers of modern art. Ends Nov 13 (after which it transfers to Barcelona). Closed Mon
Fundacion Juan March Treasures of Japanese Art: 110 works from the 17th to 19th century, on loan from Tokyo's Fuji Art Museum. Ends Jan 22. Daily
MUNICH
Kunsthalle der Hypo-Kulturstiftung Edvard Munch and Germany. Ends Nov 27. Daily
Villa Stuck Tom Wesselmann: *retrospective of the American Pop* artist. Ends Jan 15. Closed Mon
Haus der Kunst Roy Lichtenstein retrospective. Ends Jan 9. Closed Mon
Schack-Galerie *Adolf* Friedrich Graf von Schach: a show devoted to the widely-travelled 19th century art collector. Ends Feb 5. Closed Tues
Lenbachhaus Tanzania: *400* masterworks of African sculpture. Ends Nov 27. Closed Mon
MUNSTER
Landesmuseum August Macke and the Expressionists in Westphalia: 100 *rarely-seen* paintings of flowers, gardens and landscapes. Ends Jan 15. Closed Mon
NEW YORK
Metropolitan Museum of Art Origins of Impressionism: 175 paintings by Parisian artists of the 1860s. Ends Jan 8. The Annenberg Collection of Impressionist and Post-Impressionist Masterpieces. Ends Nov 27. William de Kooning's *Paintings. Ends Jan 8. Closed Mon*
Museum of Modern Art Cy Twombly (b1929): retrospective of the American artist who moved to Italy in 1957. Ends Jan 10. The Prints of Louise Bourgeois. Ends Jan 3. Mapping: an exhibition exploring the ways in which modernists have made map imagery a principal locus of their work. Ends Dec 20. Closed Wed
Guggenheim Museum The Italian Metamorphosis 1943-1968: a survey of visual arts in the postwar period. Ends Jan 29. Japanese Art After 1945 (at SoHo). Ends Jan 8. The main museum is closed on Thurs, the SoHo site on Tues
Brooklyn Museum Indian Miniature Paintings: 80 jewel-like paintings *from the 15th to 19th century*. Ends Jan 8. Closed Mon and Tues
PARIS
Grand Palais Poussin: 400th anniversary retrospective. Ends Jan 2. *Gustave Caillebotte (1848-1894)*: retrospective of the painter and patron of art who belonged to the circle of Impressionists. Ends Jan 9. Closed Tues, late opening Wed
Musée d'Orsay Forgotten Treasures from Cairo: a surprisingly rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others. Ends Jan 8. Closed Mon
Louvre British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner, plus drawings, watercolours and engravings. Ends Dec 19. Closed Tues (Hall Napoleon)
Musée Carnavalet The English in Paris in the 19th Century: le style anglais in the aftermath of the Napoleonic wars, comprising French *caricatures of the English* milord and English painterly evocations of Parisian excesses. Ends Dec 11. Closed Mon (23 rue de Sévigné)
Institut du Monde Arabe Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art. Ends Jan 15. Closed Mon (1 rue des Fossés Saint-Bernard)
Petit Palais From Baghdad to Isphahan: 70 Islamic manuscripts evoking the ancient civilisation of central Asia, on loan from the Institute of Oriental Studies in St Petersburg. Ends Jan 8. Closed Mon
ROTTERDAM
Museum Boymans-van Beuningen From Van Eyck to Bruegel: 96 Dutch and Flemish paintings dating from 1400-1550. Ends Jan 22. Alexej Jawlensky (1864-1941): retrospective of the Russian-born *artist who was a member of* Kandinsky's circle in Munich. Ends Nov 27. Closed Mon
STOCKHOLM
Nationalmuseum Goya: 50 *paintings and 60 prints, most of* them on loan from Spain. Ends Jan 8. Closed Mon
TURIN
Galleria Civica d'Arte Moderna A Celebration of Art Nouveau: a re-evocation of an exhibition held in Turin in 1902. Ends Jan 22. Closed Mon
VENICE
Palazzo Correr Masterworks from the Petit Palais in Geneva: 70 Impressionist and Post-Impressionist paintings from the collection of the industrialist Oscar Ghez de Montenuovo, including works by Degas, Gauguin and Derain. Ends Dec 11. Daily
VIENNA
Kunstforum Herbert Boeckl: centenary retrospective of the Austrian Expressionist. Ends Dec 4. Daily
Künstlerhaus Egyptomania: 300 exhibits showing the influence of Egyptian art on European painters, sculptors, authors and architects from the baroque period to the present. Ends Jan 29. Daily
WASHINGTON
National Gallery of Art Roy Lichtenstein's Prints: 90 works by the American Pop artist. Ends Jan 8. Milton Avery (1893-1965): 67 works on paper. Ends Jan 22. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists, including LeWitt, Christo, Ryman, Beuys and Flavin. Ends Nov 27. Daily
WOLFSBURG
Kunstmuseum Man Ray: more than 60 photographs by the American master of the enigmatic and the unusual, mostly dating from 1919-1949. *Ends Jan 15.* Jean-Marc Bustamante (b1952): large steel sculptures by the French Artist. Ends Nov 27. Closed Mon

Norma Cohen on the debate over the cost of capital in the UK

A cut for everyone

In the UK, a well-oiled system helps companies raise new equity capital by selling shares to their existing shareholders.

There is growing concern, however, among regulators, companies and some investment bankers that the system is too axpensive. Alternative ways of raising capital used in other countries are cheapar and just as good, they suggest.

"The cost of capital In this country is too high because of our arcane practices," says Mr Amir Eilon, director of corporate finance at Barclays de Zoete Wedd, the investment bank.

The Office of Fair Trading is reviewing the system that requires companies raising new capital to pay fixed commission charges, regardless of the attractiveness of tbe shares or market conditions at the time they are sold. An unpublished study by Professor Paul Marsh of the London Business School for the OFT has concluded that institutional investors which help launcb new share offerings have earned what be describes as "excess returns" of about £240m between 1986 and 1993.

The UK system works like this: a company that wants to raise capital by issuing shares finds an investment banking adviser to structure the deal and underwrite lt, that is promise to buy all the shares at the agreed price. To spread the risk, the investment bank finds institutions among existing shareholders that agree to snb-underwrite the offering. They promise to buy a parcel of the new shares at the agreed price, even if there is a lower market price on the final day of the offer.

Under the UK system of preemption rights, the new shares must he offered to existing sbarebolders, normally at a discount to the current market price of typically around 13 to 15 per cent (although discounts vary). These rights give them the opportunity to huy new shares in equal proportion to their current stake so that they can maintain their proportion of the share capital.

In addition to the discounted new shares – which typically earn the same dividends as the existing shares – snb-underwriters receive a standard fee of 1.25 per cent of the total raised. The hroker receives a standard 0.25 per cent commission and the adviser a 0.50 per cent commission. The cost of issuing the new shares is therefore 2 per cent of the capital raised, plus – arguably – the discount on the shares sold to existing shareholders.

"Underwriters and sub-underwriters perform a useful service for companies hy assuming the risks of a failed issue. Historically, however, at least for equity rights issues, the evidence indicates that the fees they cbarge for the assumption of this risk significantly exceed the value of the insurance they provide," the LBS report says.

London's traditional mercbant banks, for which the rights issue system is an important part of their business, defend their corner, however. Commissions are fixed, they argue, because it would be impractical to negotiate the fee with hundreds of institutions which must make snap judgments about whether to sub-underwrite at the offer price.

And while the commission is the same for all issues, the more attractive shares can be offered at a smaller discount than less attractive issues.

Finance directors privately argue that a system which forces them to issue new shares at a discount raises the cost of capital. More shares hava to be issued to raise the same amount of capital and a dividend paid on each one.

"That means the pay-back from the new capital will have to be significantly higher," according to the finance director at one FTSE-100 company. "It then defines the sorts of investment that a company can make."

But Mr Anthony Beevor, head of corporate finance at Hambros Bank, says the arguments about the discount are irrelevant because the true owners of a public company are its shareholders. "You are giving the shares more cheaply to yourself," he says.

But privately, even the institutional ahareholders whicb publicly defend pre-emption rights and which benefit most from fixed commissions question whether the system is in companies' hest interests.

An alternative advocated by some of the larger investment banks is US-style "global book-building". With book-building, tbe shares are beavily marketed by the investment bank handling the issue. The price of the new shares is set at a level that reflects market demand, ratber than at an automatic discount to the market price as in most UK rigbts offerings.

However, book-building is difficult to reconcile with UK sbarebolders' pre-emption rights, which require that the new shares are marketed only to existing investors. There may be ways round pre-emption rights, but they can be applied only in limited circumstances.

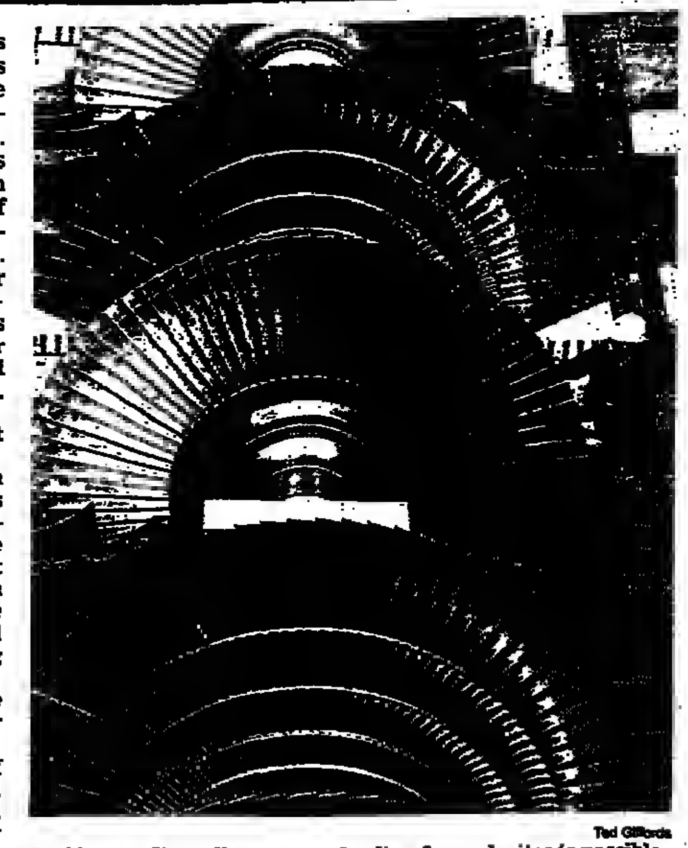
And regulators fear tbat book-building is less attractive for secondary offerings, where a stakebolder sells a large hlock of shares and pre-emption rights do not apply, because of the absence of Stock Exchange rules on short-selling. In the run-up to a book-building exercise, shareholders can sell shares they do not own and drive down the price of a company's shares, to reduce the cost of the new shares.

In October, the London Stock Exchange launcbed a review of rules on sbort-selling, asking wbether there ougbt to be greater disclosure of short positions. Both the Stock Exchange review and the OFT enquiry are understood to bave the hlessing of tbe UK Treasury wbicb is concerned partly because it fears London may lose its edge as the centre for international sbare trading because of higher costs.

However, London's traditionalists say that the current system makes capital raising in the UK cheaper than elsewbere because fees are lower.

If fees are the only cost of capital, the data suggests there is merit in this argument. According to Securities Data Corporation, a New Jersey-based research firm, the average fee in 1993 for an underwritten offering of $100m or more in the US was 5.048 per cent. Fees ranged from 2.25 percent to 7 per cent.

Mr Beevor argues that by comparison, the 2.0 per cent fixed fee In the UK is cheap. Even critics of the current system agree that for all its shortcomings, it has been effective in guaranteeing UK corporations access to equity capital through good times and bad, and that alone may be good reason not to tinker with it.



Ted Gilforde

Turbines at Sizewell B: private funding for such sites is possible

Particle of hope

David Lascelles on a shift in the City's attitude to nuclear energy

The UK government is now deep into its deliberations on the future of the state-owned nuclear power industry. One of tbe key issues is whether private money can finance further development of the industry, through privatisation or funding new projects. Without it, the nuclear power industry has a highly uncertain future in the UK: it is most unlikely that any further nuclear power stations would be paid for by any government, Tory or Labour.

But is the City ready to put up the money instead?

This was not the case when tbe electricity industry was privatised in 1989. The intention then was to sell off the nuclear component as well, but tbe plan was withdrawn because investors were unhappy with the risks and high cost of decommissioning old nuclear power stations.

The City has since become more sanguine about nuclear energy. Several City institutions are looking for ways of involving the private sector. BZW, tbe investment bank, and KPMG, the accountancy firm, are advising the Department of Trade and Industry on the prospects for privatising tbe two generators, Nuclear Electric and Scottish Nnclear, whicb, hy soma estimates, could raise more than £2bn.

Nuclear Electric bas hired Morgan Stanley, the US investment house, to explore investor attitudes to nuclear energy. It has also asked N.M. Rothschild if private money could he raised to finance construction of a new nuclear power station.

Morgan Stanley's report, the only one so far issued, was hullish about the prospects. Based on other countries' experiences with private sector nuclear utilities, such as the US, Germany, and Japan, Morgan Stanley concluded investors were sophisticated enough to understand the risks – the implication being that Nuclear Electric could be privatised.

The Rothschilds report is not yet complete. But Mr Mike Kirwan, Nuclear Electric's finance director, says it is edging towards positive – if qualified – conclusions. It will say that private sector money could be found for nuclear power station construction provided a well-tried design was used and Nuclear Electric was closely involved in the huilding and operation of any new station. Sucb a project could be put together using rates of return close to those of the new gas-fired power plants currently being financed – and below the 11 per cent assumed by Nuclear Electric up to now.

But these institutions are all working for the industry. What of independent bankera and financiers? Here, viewa are more mixed. Several analysts say the City has paid little attention to the nnclear review. "Investors only start thinking about a project when someone sticks a prospectus under their noses," says one. "We are a long way from that."

But the City is now clearly less concerned about the risk of catastrophe or environmental contamination.

The perception of Nnclear Electric and Scottish Nuclear has also shifted: they are now seen as commercial concerns with capable and communicative managements. The fact that they have made determined efforts to cut costs and become profitable has been noted, and their annual accounts have hegun to acquire greater credibility with financial analysts. In particular, the companies' estimates of decommissioning costs are considered to be more realistic than in 1989.

But the more commercial nuclear energy becomes, the more the City is inclined to ask hard-nosed questions about the nuclear generation business.

A large risk overhanging the industry is seen to be government interference. Nuclear companies would need government promises of full commercial freedom for privatisation to succeed. But this would be no guarantee against future government intervention which might try to restrict nnclear activities, or require heavier decommissioning provisions, so affecting profits.

This freedom would have to extend to managing one of the industry's major costs: waste. At the moment, the two companies have to use the expensive services of British Nuclear Fuels, the state monopoly, when cheaper means are available, such as on-site storage. They are also shareholders in Nirex, the state agency which handles long-term radioactive waste disposal. Analysts say these ties would have to be loosened if the two companies were to be truly commercial.

The point about commercial freedom is of particular concern because few analysts believe more power stations will be built, due to public opposition. The two companies must therefore be able to branch out if they are to grow and pay rising dividends.

For privatisation to work, the government would have to create a package attractive to the City. This means the dirtiest and costliest parts – the first generation Magnox reactors – remaining in state ownership. But both companies would also have to set up a aegregated fund for their decommissioning provisions to persuade investors they were safe for the long term. Currently, these appear on the general balance sheet where they can easily be diverted.

The City's mixed views on privatisation are an improvement from the wholly negative ones held in 1989. Mr Kirwan of Nuclear Electric says he is encouraged by conversations with financiers. "I think investors realise decommissioning is only construction in reverse, albeit with a longer time frame," he says. "It is normal for investors to accept it and pay for it."

Some analysts agree that privatisation could be on the cards. "It'a do-able, but it's really a matter of political will," says Mr John Reynolds, electricity analyst at James Capel, who thinks that the sale could be done in 1996.

But few analysts expect action under this government. Although there would be gains for the Treasury from an early sale, and the electricity market would benefit from greater competition, the implications of nuclear privatisation may he too momentous for a precarious government in the run-up to an election by mid-1997.

From this week, Joe Rogaly's Friday column is moving to Saturday'a Weekend FT. He will continne to write on this page on Tuesdays

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted sbould be clearly typed and not hand written. Please set fax for finest resolution

East-West co-operation on farming beneficial

From Mr Neil Spooner.

Sir, In his Farmer's Viewpoint ("Exaggerated threat seen in eastern promise", November 8), David Richardson argued that British farmers need not be too concerned ahont the hnge potential of agriculture in eastern Europe and the former Soviet Union. He says British farmers lack the skills necessary to start operating in these countries, and the threat of competition back home is still a long way off due to cultural, capital, political and climatic problems. He is wrong on both counts.

Countries like Ukraine have a clear potential to compete in world markets for leading crops like cereals and oilseeds. Yields of the most progressive farmers are already well above the UK average and farmers are exporting profitably, not only to the huge regional market but to Europe and North America as well.

The answer is not to bury heads in the sand waiting for a "serious threat 10 years from now". The countries of tha former Soviet Union and eastern Europe should be regarded as a new opportunity for western Europe's beleaguered farmers. East/West co-operation in farm production offers significant benefits to both sides. For eastern farmers co-operation brings access to investment capital, farm business and marketing skills, knowledge about new technologies and customer contacts. To western farmers it opens up a whola new set of potentially profitable investment opportunities and access to new markets.

We should stop talking about ensuring that the EU's protected markets remain closed to unfair oompetition and becoma more proactive in encouraging western farmers to take some practical steps to invest in the east.

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Phased Ecu launch a necessity

From Mr Andrew Van Husten.

Sir, As a proponent of free trade between the North American Free Trade Area and the EU – if anything, to counter the Japanese challenge more effectively – I am disheartened by opposition, especially in the UK, to proposals by Germany and France to launch the Ecu in phases, the so-called multi-speed approach.

The EU will probably have some 16 to 20 members by the end of this decade – the target date for monetary union – and it is unrealistic to expect consensus hy all involved, given wide disparities in social and economic development. Put another way, it is highly doubtful that all members will have met the stringent fiscal and budgetary discipline required by Maastricht.

Decision-making in such an unwieldy assortment of nations needs to be revised anyway, to make it a functioning and effective union. So the idea of getting the Ecu off the ground by those countries which are fully committed to it and could qualify now under Maastricht strikes me as necessary, and the only way to move Europe towards a single currency. It is critical if the EU is to remain internationally competitive (not to speak of its psychological impact).

That Europe needs to rid itself of (now) 12 currencies in the space of 2.35m sq km (the size of Zaire or Sudan or Algeria) is self-evident. Such a number of currencies promotes inefficiencies for business and individuals alike. It is hopelessly ponderous and, in these days of fast trains crossing countries in mere hours, it does not make sense any more. The yen and dollar now rule the world. A union with 450m people, soon to exceed half a billion, can no longer be left behind.

The "inner core" initiative, probably encompassing France, Germany and the Benelux, should be applauded by the rest of the EU members. They are taking the risks. While the Ecu will not replace national currencies at this stage, and would amount to alternative tender, the whole initiative could fail. But it is a beginning that needs to be tried, lest the Maastricht ideals fall apart.

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Oxbridge problem is its products' 'special' status

From Mr Walter Ellis.

Sir, In his article, "Oxbridge arrogance" (Truth of the Matter, October 15), Nigel Spivey, editor of the Cambridge Review, joins his many colleagues in the Oxbridge establishment in dismissing me as a bigoted "knocker" of our ancient universities.

Referring to my book, *The Oxbridge Conspiracy*, he writes that "to perpetuate the mythology of some cabalistic, public-school, backward-looking Oxbridge is pure prejudice, and it is a prejudice to which Walter Ellis . . . must confess".

In fact, my book makes clear (to tbose who bother to read it) that what is wrong with Oxbridge is not its residual biaa towards tbe public schools, but the fact that its products, both state and private, are treated by English society as a apecial caste, wbose entry to the corridors of power, privilege and wealth is assured, overwhelmingly, by virtue not of academic performance, but attendance.

Otber universitiea have bright people, too, but they must fight to be noticed.

Spivey's reference to "beefy" Magdalene College rugby players lining up to urinate in front of their retiring Master scarcely refutes this contention, even if several of the masterly micturators did come from a Swansea comprehensive. Nor, surely, is it helpful to his case to point out how "gratifying" it is thet so many of the nation's top joba are held by Oxbridge graduates. Britain, he says, needs more arrogance, not less. Well, if so, we know who to look to for a lead.

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IMF and loans to Zambia

Tbe letter published on November 4 from Mr G G Johnson, assistant director, African department, Intarnational Monetary Fund, omitted a passage in his reference to concessional loans and grants from bilateral and multilateral sources to Zambia. It should have read thet they "have averaged more than $700m a year during the three years of the programme, while cash debt service, including payments to the IMF, has averaged less than $300m – an overall net inflow of more than $400m a year".

Information from NRA

From Mr Ed Gallagher.

Sir, The NRA has been accused by the Campaign for Freedom of Information ("River information paid for by the piggy bank", November 9) of overcharging the public as a means of inhibiting the release of information which they are entitled to have. This is not so.

The NRA is an open organisation. Every regional office holds a register of information which the public is entitled to inspect free of charge. The typical charge for photocopies from the registers is £1, which includes up to 10 copies.

Only where complex investigations are required, or where information is requested for commercial purposes will a higher charge be levied. The NRA makes no profit from these charges which are based on actual costs incurred.

We do not charge school children. There is a comprehensive education pack available free to every primary school in England and Wales and many of their requests can be satisfied from our 600 reports and leaflets, many of which are free of charge, and which we supply willingly.

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Friday November 11 1994

Ratifying the round

An electorally battered President Bill Clinton is about to fly to Jakarta for the second annual summit of the Asia-Pacific Economic Co-operation forum. Foreign policy success matters to the president, but in this case what be achieves abroad will be determined by events at home. The US will create nothing concrete within Apec if the Uruguay Round outcome is not ratified.

That task falls to the lame-duck Congress. Some argue that a duck as lame as this one has become has no right to pass legislation of *such significance*. It would indeed have been better to have ratified the legislation sooner. But there is no alternative. If the bill were to die in the present Congress, it could not be reintroduced into the next one under the "fast track" authority. Amendments would then be possible and, being possible, would be probable. If tbe round were passed in a different form from what was negotiated, it would have to be reopened. The chances that others would agree to that idea, after seven years of wearisome negotiations, can be defined simply as zero.

This notion of a later consideration is frivolous. The US has a simple choice: to ratify or not – and the time to decide is now. The US is, it appears, also the only country in the world to have important substantive doubts about the deal. So a heavy weight now falls on the shoulders of this particular lame duck.

The benefits of the round are not the smallest part of what is at stake. A report from the Gatt secretariat, out today, presents the results in greater detail than hitherto. In addition, it uses a sophisticated economic model to evaluate the benefits to total world income, which it assesses at an increase of $510bn in 2005, including a gain of $122bn for the US. Huge as it is, this excludes the effects of the round on services, intellectual property and, more generally, on security of market access.

Over-optimistic

Such calculations also rest on the over-optimistic assumption that the alternative to ratification would be the *status quo ante*. Yet the decision to initiate the Uruguay Round was a response not just to protectionist pressures, but also to the belief that tha international trading system had become too incomplete to remain relevant. The final deal is the product of the seven years of the round, themselves following around four years of preparation. If, after 11 years of effort, the outcome fails to be ratified by the country that drove the process throughout, the system will stand condemned as irrelevant to the problems of today.

Everything achieved before the round would then start to unravel.

The credibility of the US is as much at stake as that of the multilateral trading system. It is unlikely, for example, that countries would be prepared to enter into complex negotiations on an Apec-wide free trads agreement if the US was unable to ratify the Uruguay Round. Such a negotiation would be condemned as a waste of time: full of sound and fury, signifying nothing.

Leap forward

The puzzling thing about the doubts surfacing in the US is that the Uruguay Round is, in every important respect, its baby. It was the US that wanted inclusion of agriculture, services, intellectual property and trade-related investment measures. It was also the US that wanted a more effective dispute settlement procedure. While the outcome has inevitably fallen short of initial US demands, it is also a buge leap forward. The World Trade Organisation is, in fact, a remarkable achievement of global co-operation.

Yet at this very moment of triumph, people in the US have rediscovered ths old concerns about sovereignty that buried the International Trada Organisation back in the late 1940s. The truth, however, is that unbridled national sovereignty is impossible in the case of trade, because two governments are *always* involved. There is no alternative to some kind of international agreement if conditions for global trade are to be both predictable and liberal.

This is what the US learnt in the 1930s. It is now 60 years since the Reciprocal Trade Agreements Act started the country on the journey that culminated in the Uruguay Round agreement. The process underpinned the postwar success of the market economies, which is why countries like China and Russia want to join. Now, in the post-cold war era, economics have also taken a central place in international political relations. Failure by the US to ratify the round would, therefore, amount in one moment to a repetition of the two great mistakes of the inter-war period – the vote against the Leagua of Nations in 1919 and the Smoot-Hawley tariff of 1930.

To make those mistakes once was calamity enough. To repeat them would be unforgiveable. It is often difficult to know in advance whether an event is historic. But this is certainly one. The Uruguay Round decision is a defining moment in the history of US relations with the rest of the world. The achievement of the deal was bipartisan. The challenge now is to both parties. All concerned must remember what is at stake.

Learning the right lessons

At last, after six years of attempts, the UK government has passed one of the most difficult tests of domestic policy: devising a workable national curriculum for schools. The final text published yesterday hardly deserves an "A" grade. But although the teaching unions have given only a grudging response, the proposals look like delivering peace in Britain's schools after years of turbulence.

A year ago that looked unlikely. The curriculum proposals, which stemmed originally from unease about falling standards of literacy and numeracy, had become so detailed and extensive that they threatened to engulf every minute of the teaching day. Meanwhile, the desire to raise national standards in core subjects had become an obsession with testing almost everything.

The problem has been that the government envisaged the curriculum and the associated system of tests as performing three entirely separate functions: setting a standard of education to which schools should aim; providing a Nationwide picture of how students are doing; and giving parents and teachers benchmarks for the progress of individual pupils. In trying to satisfy those ambitions, tha original curriculum risked performing no task well.

Slimmed down

The final version of the curriculum, the product of an 18-month review by Sir Ron Dearing, chairman of the Schools Curriculum and Assessment Authority, untangles much of that muddle. It holds to the main principles laid out in a preliminary revision in May: many areas have been slimmed down, and the core subjects English, mathematics and science have been strengthened, as have information technology courses.

There are still unwelcome signs of party ideology: UK history must be taught even to pupils under seven years old, and, in line with the pledge tha prime minister mada to his party conference, schools must encourage competitive team sports. There are also signs of confusion about the aims of science teaching; the emphasis on natural sciences has increased, but there is much fiddling with the detailed content of lessons. Such points aside, schools' anxieties about the rigidity and workload of the original proposals have been broadly answered.

National standards

So too have many concerns about testing, in a series of radical revisions to the original proposals. In recommending testing by external examiners at ages 11 and 14, rather than by schools themselves, the curriculum has become more clearly a tool for assessing national standards and comparing schools. At the same time, it has rightly relinquished the impossible goal of providing standards by which to monitor every child.

The changes appear to have pacified most of the teaching unions, who should now withdraw gracefully from boycotting tests. They should recognise that, having gained so many concessions, they could lose much sympathy by persisting. The unions can, however, credit themselves with engineering, almost inadvertently, an important improvement in education policy which would otherwise not have taken place.

The pity of the saga is that a workable curriculum has been devised almost by chance, out of a dispute that began on the narrow territory of teachers' workload. Mishandling of that squabble by both sides widened the debate; it is a happy accident that such a bitter row has produced a workable policy. The government has now come up with more or less the right answer. But it earns few marks for the painful and prolonged route it took to get there.

The fall of the WALL

The economic transition of the former communist countries is starting to pay off, says **Anthony Robinson**

Painful rebirth from the ashes

On both sides of Europs, businessmen, bankers, politicians and economists bavs been frantically at work since the demolition of the Berlin Wall in 1989. The degree of waste and inefficiency in planned economies has proved greater than anticipated. But the biggest surprise – both for east Europeans and for westerners, who had taken it for granted – has been the subtlety and sophistication of the market economy.

Mr Dennis Skinner, Midland Bank's representative in Moscow 10 years ago, at that time described the Soviet-styls economy as "a giant cartwheel" with a powerful rim, hub and spokes. "But in between the spokes, in the space which market economies fill with a rich, interconnecting tissue of financial services, advertising and marketing, pension funds and the like, was a void," he explained.

In essence tbe past five years have been spent cutting back the bloated bureaucracies and militarised, monopoly producers, fostering private enterprise and filling up the space between tbe spokes.

Thousands of would-be entrepreneurs, bankers and stockbrokers from the east have set out on a quest to discover the secret of abundance, and the mechanisms by which wealth is created. And an army of western economists, consultants, accountants and lawyers has sprung into action to satisfy this demand.

A new institution, the European Bank for Reconstruction and Development, was set up to facilitate the transition, while the European Union and individual governments set up special funds, such as the UK's Know-How Fund, to channel aid and transfer skills.

Fundamental principles wsre rediscovered. The most important was the crucial role of private ownarsbip and the linkage between legality, democracy and prosperity. The communist state began by seizing private property. The restitution of private property and privatisation of state-owned assets have been at the heart of the transition to a law-based, multi-party market economy and society.

By early next year, with the completion of the second round of mass privatisation, the Czech government forecasts that 80 per cent of the economy will be in private ownership. The private sector in most other central European states now constitutes between 40-65 per cent of the economy. Even Russia, where macro-economic stabilisation policies are still being formulated, has managed to privatise about 50 per cent of the economy.

Privatisation has never before taken place on sucb a scale and at such frantic speed. And while the privatisation itself has not created enterprise capital or managerial expertise, it has generated the need for efficient banks, stock markets and investment funds and sparked off a hunt for foreign equity investment and managerial skills. The distance from the old command economy is already enormous.

Howsver, the pain has been greater than originally imagined. Although, the death agonies of the old system have been exaggerated by a statistical reporting system based mainly on output from state enterprises, the first two to three years of reform did see a 20 to 40 per cent fall in industrial output.

Production of armaments, shoddy consumer goods and obsolete industrial equipment fell. Millions of workers in what had been secure jobs were sacked, placing a large burden of social payments on state budgets at the same time as revenues from taxes on state enterprise profits were collapsing. Entire industries and company towns have closed or have stockpiled unwanted goods, failed to pay wages and run up impossible debts.

This industrial decline has been accelerated by the collapse of the Comecon trade and transferable rouble payments system in late 1990, and exacerbated by recession and protectionism in the west. Most central European countries now do more than 50 per cent of their trade witb the EU, whicb, tbrougb a series of bilateral and "asymmetric" association agreements, offers free trade in many industrial products but retains restrictions on "sensitive" products such as iron, steel, textiles and foodstuffs backed by anti-dumping and other blocking measures.

In the confusion of the transition to a market economy, many of the state's best assets have been hived off by communist era factory managers. This has left the loss-making cores of thousands of enterprises facing bankruptcy. In Ukraine, Russia and those former Soviet republics wbere output was concentrated in military or related sectors, severe problems remain.

But tha important point is that the unreformable Soviet system *had* to be destroyed if resources were to be freed for productive purposes and export, instead of being turned into arms or pollution.

Millions of jobs have been created in trade, services and private enterprises. A wide range of consumer goods, previously unavailable or restricted to an elite, is now on sale in privatised shops and kiosks. Some people have grown very rich; the weak, sick and unamployed have become poorer. But overall the dynamism of the private sector is impressive and remains under-recorded.

Countries such as Poland and the Czech Republic, which established macro-economic stabilisation and internally convertible currencies at an early stage, are now leading an economic upswing throughout central Europe.

The great question of five years ago, of how to create capitalism without capital, has been largely answered: it has been accumulated from the savings made by reducing waste and through the privatisation of poorly used former state assets.

But in the former Soviet Union, in particular, billions of dollars of capital have been created through the often clandestine expropriation and export of raw materials, energy and other resources. Many "robber barons" have set up foreign bank accounts, awaiting the legal reforms in Russia that will allow them to repatriate their suitably laundered funds. This capital, like that amassed by the US and European equivalents in the 19th century, is needed to capitalise the new private banks and to finance the plants and infrastructure required to begin the industrial transformation of Russia.

Foreign investment to date has been modest, relative to othar emerging economies in Asia or Latin America. The EBRD calculates that total foreign direct investment in 1990-93 in the entire former Soviet controlled area, with 450m inhabitants, totalled $12.42bn. Singapore alone, with only 3m people, received $5.6bn just in 1992.

But the slow start was inevitable, given the absence of property title and the lack of legal and administrative frameworks required to attract and absorb foreign capital. Foreign investment is now rising, as companies discover the region's potential and east European governments introduce institutional changes and open up strategic sectors, such as telecommunications.

Successful foreign debt reduction and rescheduling agreements by Poland and Bulgaria have also played a part. Poland, which claims to bave received $4.5bn in foreign investment to date, expects a similar amount in the next year or so.

Governments tbroughout the region have become more sophisticated and more aware of tha global competition for foreign investment. They bave learnt that foreign investment brings more than capital: it also provides technology, managerial skills and access to world markets.

The big US multinationals and their European equivalents, such as Asea Brown Boveri, Unilever and Nestlé, have been among the first to see the potential of the east. But close observers, such as Professor Jeffrey Sachs of Harvard University, argue that EU nations must declare war on their protectionist lobbies, abolish trade barriers and speed up investment if eastern Europe is to achieve "Asian tiger" rates of growth.

An earlier article in this series appeared on November 9

Economies of former communist countries

	Growth in real GDP 1993† (%)	Retail/consumer prices 1993‡ (% chg)	GNP per capita* 1992 ($)	Private sector share of GDP mid-94** (%)	Agriculture share in GDP§ 1992 (%)	Total foreign direct invest. '90-93 ($m)	Foreign direct invest. (% of total)
Eastern bloc							
Albania	11	31	n/a	50	56	39	0
Bulgaria	–4	64	5,130	40	15	164	1
Croatia	–3	1,150	n/a	40	n/a	46	0
Czech Rep	0	18	7,160	65	6	2,600#	21#
Macedonia	–15	244	n/a	35	n/a	n/a	n/a
Hungary	–2	21	5,740	55	7	5,441	44
Poland	4	38	4,880	55	8	839	7
Romania	1	296	2,750	35	20	140	1
Slovakia	–4	25	5,620	55	6	2,600#	21#
Slovenia	1	23	n/a	30	n/a	275	2
Former Soviet Union							
Armenia	–15	10,900	2,500	40	41	n/a	n/a
Azerbaijan	–13	810	2,650	20	29	n/a	n/a
Belarus	–12	2,775	6,840	15	24	n/a	n/a
Estonia	–8	36	5,250	55	15	180	1
Georgia	–40	2,656	2,470	20	48	n/a	n/a
Kazakhstan	–13	1,926	4,780	20	38	400	3
Kyrgyzstan	–16	1,366	2,820	30	28	n/a	n/a
Latvia	–12	35	4,690	55	24	103	0
Lithuania	–16	188	3,710	50	28	45	0
Moldova	–14	837	3,870	20	33	n/a	n/a
Russia	–12	842	6,220	50	13	2,000	18
Tajikistan	–28	7,344	2,000	15	33	n/a	n/a
Turkmenist.	–8	4,600	3,950	15	48	n/a	n/a
Ukraine	–14	10,155	5,010	30	23	n/a	n/a
Uzbekistan	1	927	2,600	20	38	145	1

*Source: EBRD. †NMP in Georgia and Tajikistan; GSP in FYR Macedonia. ‡Estimate. *Purchasing power parity-based. **Rough EBRD estimate. §NMP in Slovakia, Belarus, Georgia, Russia, Turkmenistan and Ukraine. #Czech Republic and Slovakia combined*

Sweden must vote Yes for influence

PERSONAL VIEW

On Sunday, Sweden votes on whether to join the European Union. If the majority is against, it will remain a member of the European Economic Area, the free-trade zone that links the EU with members of the European Free Trade Association (Efta).

The vote is too close to call. But there is a danger that an indecisive and insecure electorate is poised to vote No by a close margin, fearing a Yes vote will change Sweden for the worse and unaware that it will help change Europe for the better.

If Swedes appreciate influence on matters that affect them, they will vote Yes. The EEA provides the Efta countries with little influence. The common administrative and decision-making institutions proposed when the EEA was first negotiated have never materialised. EEA rules are in reality determined by tha EU's decision-making procedures.

The Efta countries face a constant stream of legislation from Brussels, which they are obliged to take on board without much say in its development if the EEA is to *remain homogeneous*. In the words of the Swedish prime minister, Ingvar Carlsson, the formal sovereignty of Sweden in the EEA is the sovereignty of the powerless.

Becoming a full EU member would increase Sweden's influence over EU legislation. And even though a small country prepared to pool sovereignty in such a union runs the risk of being outvoted, EU voting procedures give such countries relatively large influence.

While Sweden would have four out of 90 votes in the Council of Ministers of an enlarged union, Germany, with a population nine times larger, would have only 10 votes. If both Sweden and Norway follow Finland into the EU, the four Nordic countries would have 13 votes, more than not only Germany, but the UK and Italy too.

Further, each country has a veto on questions determined by unanimity. On questions decided by qualified majority, a small number of countries can block a decision. A small country can be influential if it builds winning coalitions.

One argument for a No vote is that EU membership will bring few economic benefits, above those of *membership of the EEA*. This overlooks the economic dividends of greater influence on legislation and the increased investment in Sweden that membership would generate.

Sweden's public debt and deficits are among tha largest in Europe. If it joins the EU it would be encouraged to reduce both to meet economic convergence programmes. A reduction in the deficit would help lessen the damaging differential between long-term interest rates in Sweden and in Germany – now running at four percentage points.

A No vote overlooks the economic dividends that membership would generate

Lower interest rates and the certainty that future EU rules would apply in Sweden would also generate an investment boom. This would help the unemployed and the young – as new entrants to the labour market – by reducing unemployment, now running at 13 per cent of the labour force.

Public sector employees, mainly women, would also benefit, since the sector's current siza can be maintained only if Sweden's industrial base is strengthened.

Yet, as tha referendum approaches, wishful thinking has flourished to avoid facing the hard cboices. Some contend that if Swedes vote against membership, it would be possible to renegotiate the EEA agreement to gain greater influence over legislation. This seems unlikely. The European Court of Justice struck down the only common institution in the EEA agreement, the proposed EEA Court, as unconstitutional. And the Efta countries' negotiating power is less than when the EEA was negotiated, partly because the political will to accommodate them has diminished, and partly because there could soon be only two or three Efta members left in the EEA.

Others, recalling the first Danish referendum over Maastricht, argue that a No vote on Sunday would make it possible for Sweden to renegotiate its accession agreement. However, Denmark was already a member of the EU with a veto over the Maastricbt treaty that gave it a strong negotiating position.

A Swedish No vote would be similar to the Swiss rejection of entry to the EEA in 1992. A debt-burdened Sweden on the peripbery of Europe can ill afford to be an outsider.

Finally, some have argued for a No vote to give the country space to make the final decision in a few years' time. But to stand by and watcb other countries – including Sweden's closest neighbours – shaping the EU would be to miss a golden opportunity.

EU members will hold an intergovernmental conference in 1996 to shape foreign, security and defence policies, relations with eastern Europe, agricultural and fisheries policies, and economic and monetary union. Now, if ever, is the time to join the EU.

Per Magnus Wijkman

The author is chief economist of the Federation of Swedish Industries

OBSERVER

Safety in numbers

■ Not bad going: two new central bank governors in one day. The announcement of Yasuo Matsushita at the Bank of Japan and Bodil Nyboe Andersen at the Danish central bank adds to the impression that the exchange rate in central bank governors is becoming increasingly volatile.

They used to be such a stable bunch. Erik Hoffmeyer, who has been running the Danish central bank for 30 years, is a local hero in Denmark and a permanent fixture on the international monetary circuit. And he was not the longest serving central banker. Iceland's Johannes Nordal who retired a year or so ago had run his central bank even longer.

Leaving aside Luxembourg's Pierre Jaans, Wim Duisenberg of the Netherlands now becomes the grand old man of European central banking and he has only been doing his job since 1981, according to the Morgan Stanley Central Banking Directory. Nine of the European Union's central bank governorships have changed hands over the last couple of years – which must be some sort of record.

Then there are all the new faces popping up in eastern Europe. How else will Moscow's Tatyana recognise Tokyo's Yasuo if they don't start wearing big lapel badges at international gatherings? Pretty soon there won't be a central bank governor left who can remember the third world debt crisis or the last time there was a run on a big US money centre bank.

Buy one or stop me

■ Strawberry ripple and tutti-frutti blocked traffic outside the mother of parliaments yesterday – 45 ice cream vendors protested against legislation allowing the confiscation of their vans for alleged illegal street trading.

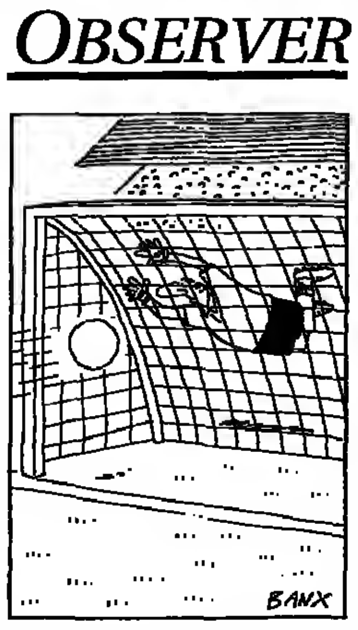
Ray Fionda – not a flavour but vice-chairman of the Association of Mobila Ice Cream Traders – believes bis members are suffering from legislation more suited to drug traffickers. "Confiscating a van which costs £45,000 is over the top," he says. Souods like a case for the Department of Transport's cones hotline.

Home for Gomes

■ Brazil's finance minister Ciro Gomes promised to lower the job's profile when he took over in September. But so quickly? Gomes has annoyed so many businessmen and government officials that he has stopped giving media interviews for fear of starting any more rows. In São Paulo this week he ended up fleeing from tha press.

Gomes has made some vicious attacks on companies which raise prices. Nor has calling Brazilian consumers "suckers" for paying high prices, and threatening to raise interest rates "sky high" greatly endeared him to Brazilians.

Gomes says he will stay in the job until his close ally, president elect Fernando Henrique Cardoso, takes office on January 1. What happens to Gomes then is anyone's guess; the portfolio for spreading goodwill and enlightenment is probably not available.



Art for eats' sake

■ Marcel Duchamp would turn in his grave; be once sent shivers down the spine of the art world by putting on an exhibition which included a lavatory. Tame stuff by comparison with the latest offering from Chinese artist Huang Yon Ping at Paris's Georges Pompidou centre.

On Tuesday he assembled a group of spiders, scorpions, snakes and toads in an exhibition wittily entitled *Hors Limites, l'art et la vie, 1952-1994* – Beyond Limits, art and life. They were to eat one another, making a statement on bumankind'a dog-eat-dog world. Unfortunately, police closed the exhibition yesterday using laws forbidding cruelty to animals.

Winkled out

■ Having recently created a record 58 new partners, Goldman Sachs probably feels it can afford to let slip a few other names. But probably *not* fixed-income chief Mark Winkelman.

The departure of Dutch-born Winkelman is a serious blow to the investment bank. Several key partners – including previous chairman Stephen Friedman and head of its Japanese operation, Henry James – have now resigned in the last few months. And given that Goldman is struggling to recover from this year's bond market crash, Winkelman's razor-sharp trading skills will surely be missed.

He is withdrawing to spend more time with his family – yes, that old cliché. But in September Winkelman was passed over for the firm's leadership. His fellow co-head of Goldman's bond business, Jon Corzine, was named chairman and senior partner, while investment banking supremo Henry Paulson became vice-chairman. At 48, Winkelman is a year older than Corzine and the same age as Paulson; did he deduce his chances of becoming top dog were slim?

What will he do, apart from enjoying domesticity? Goldman's Wall Street rivals might be drooling, but Winkelman insists he will probably move into teaching, like other Goldmanites who have gone before him.

Call me or else

■ Evidently the telephone is an endangered species. Dial-A-Gift of Salt Lake City has just changed its name to "the interactive Gift Centres Network". The New York directory still lists 33 dial-a-somethings, including Date, Mattress and Sewer Man. Given the onward march of political correctness, it can't be long before Interactive Waste Disposal Person makes an appearance.

Comfort station

■ The following sign was spotted at a railway station in Kent: "Please note that the men's toilet has been closed today while work is being done. Sorry for any inconvenience."

FINANCIAL TIMES
Friday November 11 1994

French utility halts political payments in ethics campaign

By John Ridding in Paris

Lyonnaise des Eaux-Dumez, one of France's largest construction and utilities groups, said yesterday it was halting political contributions after a series of corruption investigations that have shaken French business and politics.

The announcement is the most significant move so far by French companies, which are seeking to defuse allegations of corruption. It might push other large business groups to adopt a similar policy ahead of next spring's presidential elections.

Générale des Eaux, the principal rival of Lyonnaise des Eaux, said it was reviewing its position on campaign financing.

Utilities and public works companies are the largest corporate contributors to political campaigns. Through their subsidiaries, some of them have been linked to investigations of illicit financing of political parties. Subsidiaries of Lyonnaise des Eaux, for example, have been investigated in a case that forced the resignation in July of Mr Alain Carignon as communications minister.

Mr Carignon faces charges of receiving funding for his political campaigns from a subsidiary of Lyonnaise des Eaux in return for awarding public-works contracts in Grenoble, where he is mayor. Lyonnaise des Eaux denies any wrongdoing.

Mr Jerôme Monod, chairman of Lyonnaise des Eaux, said laws relating to company contributions to political parties were complex and unclear. He had decided "to suspend all contributions to political parties until new laws are promulgated to clarify appropriate conduct in this area".

The move reflects concern among leading French business groups about the damage to their corporate image.

Générale des Eaux is drawing up a code of ethics relating to the conduct of company officials in seeking public works contracts. It said it favoured legislation to prevent direct financing of individual candidates or to restrict party financing to the national level.

The National Federation of Public Works is preparing a code by which its 6,000 member companies would promise not to offer bribes to win the FFr150bn ($29bn) of public contracts they carry out each year. Bouygues, one of France's largest construction groups, has resisted the proposal and the implication of previous wrongdoing, comparing the proposal to "a motorist promising, from tomorrow, to obey the highway code".

However, the spate of corruption investigations has prompted calls for stronger action. An all-party parliamentary committee is discussing proposals to ban all direct corporate funding of political parties.

● Police yesterday searched the headquarters of the Republican party, part of France's governing coalition, during a judicial investigation into alleged corruption.

They were seeking documents that could shed light on the origin of FFr28m ($5.4m) deposited in party funds from 1987 to 1991.

Matsushita to head Bank of Japan

By Gerard Baker and Agencies in Tokyo

The Japanese government last night nominated Mr Yasuo Matsushita, a former career bureaucrat who is now an adviser to Sakura Bank – one of the country's largest commercial banks, as the next governor of the Bank of Japan .

Mr Masayoshi Takemura, finance minister, said Mr Matsushita would replace Mr Yasushi Mieno when his five-year term expires next month.

The appointment comes at the end of an unusually long wrangle in the government over the choice of governor. Mr Matsushita, a vice-finance minister in the mid-1980s, was thought to have been the favoured choice of finance ministry officials.

But Mr Takemura, in a display of independence, had expressed doubts about the appointment and insisted on considering other candidates. His announcement, which is subject to formal cabinet ratification, means the ministry's views have prevailed.

Mr Takemura was quoted as saying that Mr Mieno "strongly recommended" Mr Matsushita, who was chosen because of his international experience and outstanding career in finance.

Mr Matsushita joined the finance ministry in 1950 after graduating in law from Tokyo University. He rose to the top job, finance vice-minister, in 1982, but then joined the private sector.

He is not expected to depart significantly from the policies of Mr Mieno, who has presided over one of the most turbulent periods in Japanese financial history. On taking office in 1989 the governor raised interest rates to burst the speculative bubble of asset price inflation of the late 1980s.

When that policy led to the country's deepest recession since the second world war, Mr Mieno cut rates sharply. They now stand at their lowest level in nominal terms, though with inflation now negative, monetary policy is still regarded by many economists as tight.

The governorship usually alternates between Bank of Japan and finance ministry officials. Mr Mieno was a central banker, so Mr Matsushita's appointment continues the pattern.

An indication that Mr Matsushita was about to secure the job came yesterday when he resigned as vice-chairman of the Tokyo Chamber of Commerce, a post that would be incompatible with his new role.

Mr Matsushita is due to take over on December 17. The senior deputy governor will be Mr Toshihiko Fukui, a Bank of Japan executive director responsible for monetary policy. He replaces Mr Hiroshi Yoshimoto.

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US inflation fears ease after drop in producer price index

By George Graham in Washington

Low prices for new cars helped US producer prices to fall last month by 0.5 per cent, blunting fears of rising inflation.

The Labour Department said the drop in the producer price index in October, after another 0.5 per cent fall in September, left the change in prices over the last 12 months at just 1 per cent.

US bonds took heart from the apparent easing of inflationary pressures, and early strength in the bond market lifted stocks. By 1pm the Dow Jones Industrial Average was up 11.78 at 3,843.53. The benchmark 30-year long bond, after an initial surge, fell back to show a gain of $\frac{1}{32}$ at 93¾.

While financial markets remain convinced that the Federal Reserve must raise interest rates at the meeting of its Federal Open Markets Committee next week, the evidence that wholesale inflation remains subdued may take the edge off mounting expectations in the markets that the Fed might add as much as a full percentage point to interest rates.

The Fed has preferred to adjust its monetary policy in smaller increments, because of the difficulty of readjusting policy if its forecasts should prove to be wrong. But bond market dealers have become fretful that the Fed is "behind the curve" in its actions to control any future inflationary threat, and even a half percentage point increase could disappoint the markets.

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World stocks ..Second section

Part of October's price decline was attributed to prices for new model year cars rising less than anticipated by the Labour Department's seasonal adjustments. But even without the drop in car prices, the index still fell by 0.1 per cent in October. The department's index of core wholesale inflation, excluding volatile food and energy prices, also fell by 0.5 per cent, leaving a year-on-year increase of 1.8 per cent.

Some economists pointed out that prices for intermediate goods rose by 0.3 per cent in October and by 3.0 per cent over the last 12 months, while crude goods, excluding energy and food, rose in price by 0.9 per cent last month and by 13.1 per cent over the year.

Most economists viewed the producer price data as good news for inflation. Statistics published earlier this week showed that unit labour costs have risen by only 0.9 per cent over the last year and that manufacturing unit labour costs have fallen by 3.8 per cent in the same period.

This lack of wage increases was expected to limit the upward pressure on prices caused by rising commodity prices.

Dublin halts IRA prisoner releases

Continued from Page 1

engaged in a transparent attempt to damage the peace process."

A statement from the IRA said: "On August 31 the IRA announced a complete cessation of military operations. All our units were instructed accordingly. This position has not changed."

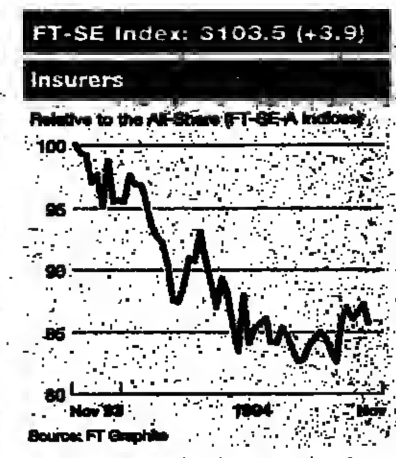
Yesterday's killing came on the eve of a meeting between British and Irish officials to discuss the framework document which the two governments hope will form the basis of a durable political settlement in the province.

Sir Patrick and Mr Dick Spring, the Irish foreign minister, are to discuss the document in the Republic of Ireland on Monday.

There have been signs in recent days that the governments have made progress – particularly in the area of north-south relations – after a period when little progress was achieved.

THE LEX COLUMN

Insurance on the crest



Third-quarter profits from Commercial Union and Royal Insurance demonstrate that the UK insurance sector is still riding on the crest of a cyclical wave. But from here on it is likely to be a gentle slide to the next earnings trough. The magnitude of the bounce in profits merely serves to highlight the sector's incorrigible cyclicality.

The niceties of insurance accounting ensure that the slowdown in earnings from current levels will be gradual. However, rates in the key domestic motor and household markets – which account for nearly the lion's share of Royal's underwriting profits – have already slipped. They will slip further as the onslaught from low-cost "direct" insurers continues. Also set to deteriorate is the the ratio of claims paid to premium income: the recent improvement does not look sustainable.

There are plus points. For example, insurers seem willing to forgo market share in motors rather than pursue new business at uneconomic rates. They are also maintaining pressure on costs, as highlighted by Royal's plans to cut its UK workforce by 10 per cent over the next three years. But overall the medium-term outlook for the UK industry is far from bright.

The outlook for the shares is, however, less dependent on the UK insurance cycle – or the management's effort to diversify out of it – than the state of world financial markets. Insurers' investment income is highly geared to the market and a reversal of the recent sharp underperformance of the sector is likely to come only with a pronounced equity market rally.

Sears, Roebuck

Though Allstate now sells little insurance through Sears stores, the group used to point to tax advantages to justify keeping the two businesses together. But these benefits decline as Allstate's underwriting performance improves.

Sears has finally decided that losing the tax break is a cost worth paying to set the two companies free. The market's initial reaction was to mark down Allstate shares, partly on fears that a large proportion of Sears' investors will dump the new Allstate stock, while the Sears share price rose sharply. In the longer term, they may move the other way.

While Sears will finally revert to being a focused retailing group, it faces a tough task clawing back its position in the fiercely competitive American market. On the surface, Allstate's situation is even more difficult since it was hit by $845m of earthquake losses in the first nine months of the year. Yet it is financially strong with a powerful market position. So its prospects are healthy if only it can reduce its catastrophe exposure.

In this respect Tuesday's election of a Republican insurance commissioner in California could prove significant. The new commissioner is likely to prove more sympathetic to the industry's case than the present incumbent. The election is also good news for BAT Industries' Farmers unit, which is even bigger than Allstate in California. A fully independent Allstate is unlikely to be a more aggressive competitor. But its greater stock market visibility may emphasise the value of Farmers hidden inside BAT.

Shell

Shell's rock-solid balance sheet, which includes £7.8bn in cash and securities, made the Anglo-Dutch company a safe haven during recession. But the company's financial strength makes it less attractive for investors at this stage of the cycle. Shell is under-geared compared with its rivals, so an equivalent rise in operating profits would have less of an impact on earnings.

The operational benefits of recovery are also less marked. The group avoided the sort of crisis that forced BP to cut staff by 35 per cent in just three years. Without such problems, Shell has found cost-cutting harder to implement. That was apparent in yesterday's results. For the three months to September, Shell's replacement cost operating profits, excluding one-off items, increased quarter on quarter by just 14 per cent. Most oil majors posted results up between 20 per cent and 30 per cent.

Shell's lack of financial and operating gearing does not necessarily mean investors should switch into BP. Both Shell and its UK rival are near all-time highs. Shell, with a prospective price earnings ratio for 1995 of 15, and BP at 13.4, are both at slight premiums to the market. That is unusual for oil companies which traditionally grow more slowly than the economy. The groups' yields offer no great incentive either. BP has outperformed the market by 25 per cent since April and Shell by 10 per cent. That is enough for now.

Executive pay

The Prudential Corporation has in the past been one of the stoutest defenders of directors' three-year rolling contracts. So its expected abandonment of such contracts may sound their death-knell throughout British industry. Much of the credit must go to the high-profile campaign waged by Mr Alastair Ross Goobey, PosTel's chief executive. It is surely no coincidence that Sir Martin Jacomb, currently PosTel's chairman, is due to become the Pru's chairman next year.

Even if the Pru does not join Mr Ross Goobey's campaign, directors in other companies will find it harder to cling to their three-year rollers. They will no longer be able to point to a large institution's practice as justification for their own.

Rollers allow badly-performing executives to receive large pay-offs if they are forced to resign. The actual sums involved are usually small compared with companies' market capitalisations. But rewarding failure in this way damages shareholders' interests not merely through the direct financial impact but also by undermining employee relations. Rollers are a blatant example of one rule for directors and another rule for ordinary staff.

That said, the most important impact of PosTel's campaign may be to give a shot in the arm to shareholder activism. Institutional investors have too often been prepared to walk away from poorly performing companies rather than seek to change their boards and/or strategies. It is to be hoped they will now take a tougher line.

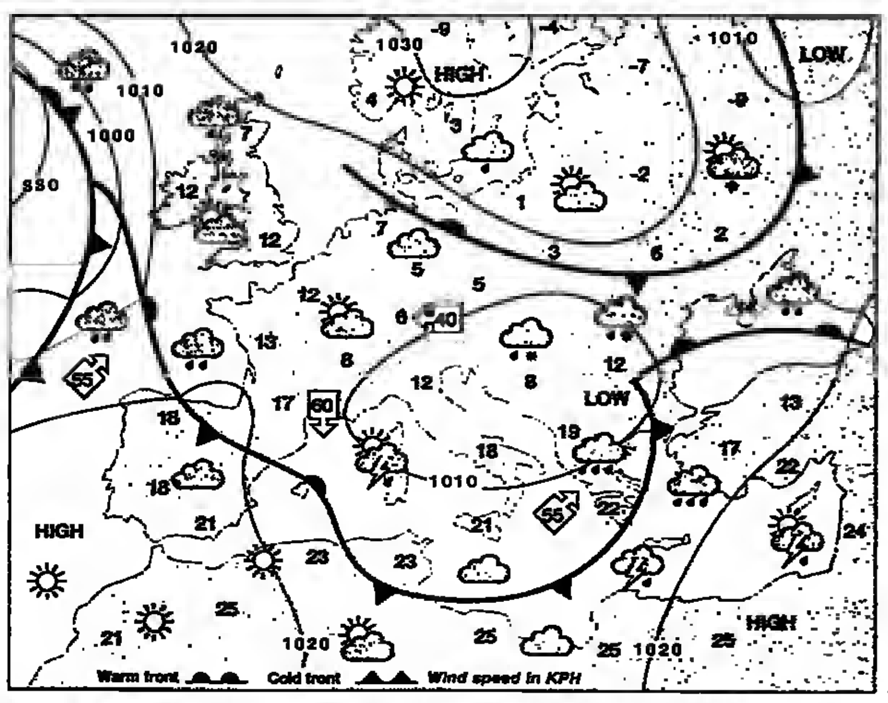
FT WEATHER GUIDE

Europe today

High pressure will maintain wintry conditions over Scandinavia and north-east Europe, while a low pressure system over the former Yugoslavia will cause the Balkans to be wet and unsettled. Southern Sweden and Norway will have snow but clearing is expected from the north. Extensive snowfall above 1,300-1,500m is expected in the Austrian Alps. Extensive rainfall will move from Austria and the Adriatic to Hungary and Romania. Thunder showers over the southern Balkans will spread to the Black Sea during the afternoon. Western Europe will be mostly cloudy, with showers limited mainly to Scotland and north-west Spain.

Five-day forecast

A frontal zone associated with low pressure over the north Atlantic will cause renewed rainfall over western Europe during the weekend. It will be warmer and drier next week. An advancing low will prevent wintry conditions over Scandinavia and Siberia from spreading to central Europe but the north and north-east will remain cool.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	10	Caracas	shower	30	Faro	fair	21	Madrid	fair	16	Rangoon	fair	32
	Celsius		Belfast	fair	11	Cardiff	fair	12	Frankfurt	cloudy	8	Majorca	sun	21	Reykjavik	fair	4
Abu Dhabi	sun	30	Belgrade	shower	12	Casablanca	fair	21	Geneva	cloudy	8	Malta	rain	22	Rio	fair	27
Accra	fair	31	Berlin	cloudy	4	Chicago	shower	8	Gibraltar	sun	21	Manchester	cloudy	11	Rome	shower	18
Algiers	fair	23	Bermuda	fair	26	Cologne	drzzl	10	Glasgow	rain	9	Manila	cloudy	30	S. Frsco	shower	18
Amsterdam	drzzl	10	Bogota	cloudy	21	Dakar	sun	29	Hamburg	cloudy	6	Melbourne	fair	19	Seoul	shower	14
Athens	thund	21	Bombay	fair	33	Dallas	shower	21	Helsinki	sun	-5	Mexico City	fair	23	Singapore	shower	28
Atlanta	fair	23	Brussels	cloudy	11	Delhi	sun	30	Hong Kong	fair	28	Miami	fair	28	Stockholm	sun	0
B. Aires	fair	26	Budapest	rain	8	Dubai	sun	30	Honolulu	fair	29	Milan	fair	14	Strasbourg	cloudy	6
B.ham	cloudy	11	C.hagen	rain	4	Dublin	fair	11	Istanbul	thund	19	Montreal	shower	7	Sydney	fair	24
Bangkok	fair	33	Cairo	sun	25	Dubrovnik	rain	17	Jakarta	fair	31	Moscow	fair	-6	Tangier	fair	21
Barcelona	fair	18	Cape Town	fair	20	Edinburgh	rain	10	Jersey	fair	11	Munich	rain	6	Tel Aviv	sun	25
									Karachi	sun	33	Nairobi	fair	26	Tokyo	fair	18
									Kuwait	fair	27	Naples	rain	18	Toronto	shower	8
									L. Angeles	fair	20	Nassau	fair	28	Vancouver	rain	10
									Las Palmas	fair	24	New York	fair	14	Venice	rain	13
									Lima	cloudy	22	Nice	fair	17	Vienna	rain	8
									Lisbon	cloudy	18	Nicosia	fair	22	Warsaw	fair	0
									London	fog	13	Oslo	snow	-2	Washington	fair	17
									Lux.bourg	cloudy	8	Paris	cloudy	11	Wellington	shower	14
									Lyon	drzzl	10	Perth	cloudy	24	Winnipeg	fair	7
									Madeira	fair	23	Prague	rain	4	Zurich	drzzl	7

JOBS: Doubts linger over merit of executive share options as incentive or performance yardstick

Time to spread the jam more evenly

Are UK companies justified in persisting with Inland Revenue approved executive share option schemes when the argument for their retention as an incentive has grown progressively weaker during the past 10 years?

At the time they were introduced in the 1984 budget, Nigel Lawson, then Chancellor of the Exchequer said he was convinced of the "need to attract top calibre company management and to increase the incentives and motivations of existing executives and key personnel by linking their reward to performance."

With the top marginal income tax rate of 60 per cent and 30 per cent capital gains tax that existed at the time, there was considerable attraction among boardrooms in introducing such schemes. They converted income into a capital gain and the cost of them was borne by shareholders in diluted equity and did not impact on the company's profit and loss account.

Without hesitating to consider whather or not what they were doing was fair, both to shareholders and to other employees who did not – although tha rules would have allowed it – benefit from such schemes, companies clamoured to introduce them to such an extent that now some 90 per cent of publicly listed UK companies have Revenue-approved share option schemes, mainly for directors and senior executives.

Today, with the top marginal tax rate at 40 per cent, the same rate as capital gains tax, the tax advantage is less important. That has done little, however to stem enthusiasm for renewing schemes as many come to the end of their 10 year life.

A newly published study of executive share options, by Incomes Data Services Management Pay Review, suggests that probably the most important reason for renewing schemes is that companies dare not retreat from what has become the market norm.

"Any company knows that it would be out of line with market practice if it jettisoned its option scheme, even if it was replaced with an alternative long term incentive," says IDS.

It quotes a conclusion by the board of Inchcape that failure to renew its scheme would have hindered its ability to recruit outside executives.

The Labour Party says it will end income tax relief on options, but it seems doubtful whether that in itself will be enough to end the practice of paying them.

Whether it would be applied on options already issued but not exercised is still unclear.

While Gordon Brown, the shadow chancellor has estimated that an extra £200m a year will be collected in tax revenue, it represents only 1.3 per cent of the £15bn that Labour suggests is the annual value of shares taken in options. That figure, however, is disputed. Some put it at less than half that amount.

The main effect of ending income tax relief would be to make income tax due when the shares are exercised rather than CGT when they are sold.

Given that only five per cent of executives have continued to hold their options beyond the three-year minimum period, the biggest significance of this would probably be the loss of the annual £5,800 tax free allowance for CGT.

Perhaps the greatest unfairness to all other employees who did not benefit from the award of share options is that the options were introduced on top of salaries and not instead of some portion of existing executive reward.

They were an unearned bonus that carried no risk whatsoever. It was like winning the football pools without having to fill in the coupon. Neither were they related to the performance of companies. Only if the company did badly was there no point in exercising options.

IDS says: "Executives could make large sums even if the share price rise had more to do with inflation and a general rise in the stock market than with their personal contribution. In some instances, poor company performance could lead to takeover speculation and share price growth, thereby giving a reward for bad results."

The volatility of share prices has made options at times something of a lottery. It was possible, for example, for a chief executive to be awarded options to buy shares when the market was high and yet for a less senior manager to enter the company and obtain options when the market was comparatively low, thus benefitting more than the company boss.

Tarmac is one company which experienced unintended consequences. In its letter to shareholders in May, it observed that many of the options granted to its executives under the existing approved scheme provided no effective incentive to management because the exercise prices were fixed at a high level in a different economic climate.

"Further, their existence discriminates against longer-serving executives who have played a key role in the recent turnaround in the fortunes of the group," said the company.

In most cases, however, options have resulted in substantial gains. The IDS calculates that the median profit from options exercised in the last three years has varied from between £50,000 and £60,000.

Among the highest profits under the UK arrangements found in the study were £2m and £1.7m made respectively by two directors of Glaxo Holdings in 1991, and £1.3m and £1.1m made by two directors of Smith New Court in 1993. In the same year, Clive Thompson, chief executive of Rentokil, made £2.8m from exercising options. Sir John Egan, the chief executive of BAA, last year netted £1.6m from share options.

That is dwarfed, however, by the sums paid out in the US, home of the share or stock option. Michael Eisner, Walt Disney's chairman and chief executive officer, realised $203m, equivalent to the gross national product of Grenada, when he exercised stock options in 1993.

The intrinsic invalidity of such schemes has begun to be accepted in some companies. Reuters, Courtaulds and GEC have discarded their option schemes in the past year and replaced them with alternative long-term incentive arrangements. Sir Christopher Hogg, the chairman of Reuters, has called the assumption of a tight linkage between management performance and share price "fallacious".

Under pressure from institutional investors' organisations, most renewed schemes have introduced performance conditions which must be met before options can be exercised, the most common of which is that growth in earnings per share should be two per cent above inflation each year over three years. Another trend is to phase options in with smaller annual grants.

Very few companies have made schemes more equitable among all employees. Wellcome and ALPHA Airports Group, have introduced all-employee share option schemes that qualify under the same tax rules as the typical executive share option plan. The Inland Revenue does not specify that the schemes should be limited to executives.

It is arguable that such schemes, in addition to being fairer, have greater tax merits for less highly paid employees. While all can take advantage of the annual Capital Gains Tax exemption, senior executives might be expected to have greater overall capital gains, making the exemption proportionally less meaningful to them. As Sir Bryan Nicholson, the president of the Confederation of British Industry, this week joined in the criticism of large boardroom pay rises, arguing that business leaders have a "clear responsibility, moral and political, to set an example on pay discipline," it is perhaps time for companies to address honestly a fundamental question about share options: what purpose do they serve?

Richard Donkin

Executive Share Options is available as part of an annual subscription to IDS Management Pay Review at £202 a year. IDS, 193 St John Street, London EC1V 4LS. Tel: (0)71 250 3434.

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The person SIB is looking to recruit may have gained experience in any of the following areas:

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Interested applicants should initially contact Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH, for an information pack, quoting reference 208880. Telephone 071 831 2000. Closing date 21st November 1994.

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Bright outlook forecast, but not guaranteed

Jim Kelly reports on the new rules on 'going concern' statements which make explicit their judgments

Making a statement that a business is a going concern should be viewed in the same way as a weather forecast. It is a judgment based on available data at a point in time. It is not a guarantee of fair weather.

No ooe would think of suing a weather forecaster after a holiday ruined hy rain. However, we might be justifiably annoyed by a 24-hour forecast which failed to notice the approach of a typhoon.

The problem with the concept of going concern is that it is seen by many shareholdars and investors as providing a guarantee against collapse. When things go badly wrong they feel aggrieved.

Tbe late 1980s provided a string of examples of company collapses within months of the publication of accounts, audited without qualification, and containing the assumption that the company was a going concern.

Creditors sought to apportion blame and turned to the auditors. The situatioo cruelly exposed an "expectation gap". If the company concerned was a going concern eight months ago why was it now revealed to be nothing of the sort? What had the auditor missed? What had the directors failed to tell the auditor?

This week the Audit Practice Board, and the Working Group on Going Concern, with members from the Institute of Chartered Accountants, the Hundred Group, and the Institute of Chartered Accountants in Scotland, have between them attempted to clarify the responsibilities of auditors and directors with respect to going concern. Their work is a direct response to the corporate failures of the 1980s.

Both have been keen to make plain what going concero *is not*. It is not a cast iron prediction. It is a judgment made on the available evidence at a point in time. That judgment is based on the information provided by the directors. It is not a guarantee the company will continue to trade.

What going concero *is* has become much clearer this week and the APB and the working group deserve credit for co-ordinating their findings and coming up with a practical framework.

The only danger is that they may have difficulty in restraining public expectations in the future.

The APB's Statement of Auditing Standards (SAS) 130 replaces the old auditing guideline which was widely criticised for giving the auditor a passive role on going concern. Unless the auditor literally fell over contrary evidence the business was presumed to be a going concern.

SAS 130, which covers all audited companies, requires the auditor to take a pro-active role and to consider, rigorously, a business's ability to continue as a going concern. That ability should exteod into the "foreseeable future" – which is not strictly defined.

However, if directors of the company in question consider a period of less than one year from the date of the approval of the financial statements and do not disclose it, the auditors must record this in their basis of opinion.

This subtlety can be seen as the APB watering down the rigor of tbe standard or introducing a practical recognition that some businesses, such as a fashion house faced with an unpredictable spring season, might not be able to provide the detail required for such a period.

The auditors, under *SAS 130*, should qualify their opinion if they think the directors have not backed up their assertion of going concern with adequate information. The auditors should register an adverse opinion if they disagree with the assertion.

Michael Boyd, chairman of the task force that produced the standard is sure it will not create a "make work" project for companies. It is not mandatory for companies to provide cash flow forecasts or budgets to back up going concern.

For many companles no extra work will be needed.

The standard is effective from June 30 1995 although the APB wants it adopted when those companies being audited already comply with the Cadbury Code – under which directors are already urged to make a statement of going concern.

What the APB has done for auditors, the Working Group on Going Concern has done for company directors of listed companies – including those quoted on the USM. It has published this week guidance on making an explicit statement of goirg concern.

As its guidance is a codification of best practice with which it believes companies with year ends from December 1994 can comply. The guidelines give directors three options:

- *To state* that the company is a going coocern.
- To state it is a going concern hut with an explanation of potential prohlems and how they would be dealt with.
- To state that the business is oot a going concern.

Needless to say tbe final option is going to he rare. The *second will* oot be as rare and will need very careful handling if it is not going to inflict severe damage on the share price.

In the case, for example, of an incomplete oegotiation of a contract, aoalysts and the press would need to be carefully hriefed.

Advice to directors on the definition of "foreseeable future" has again been dovetailed with the APB's rules for auditors. Generally they should look at all the relevant information available – including the long-term view. The expiry of a patent, for example, in 15 years' time is not an irrelevant item for consideration.

One can see some potential problems when the new rules are up and running. Imagine a group of directors putting forward their judgment that the company is a going coocern based upon a fortbcoming bank loan. The auditor may discover, after questioning the directors, that tbe loan is only to be forthcoming if tbe company is judged a going concern. This kind of situation will require a common sense solution. One could imagine a tripartite meeting between tbe parties involved as a good start.

Finally the APB *also* published this week a revised bulletin on corporate governance which said that it was impractical for auditors to give an opinion on the director's report on going concern. This was seen as involving too much extra work.

However, if the director's report *is inconsistent with* what the auditor knows from having to sign off the accounts then they should highlight the difference.

Taken together this week's publications certainly appear to increase the responsibilities of auditors and directors. By clearly setting out their duties and roles the APB and the working groop have put in place a strong framework. There may be some fears that as a result the liability of auditors bas been increased.

This is certainly a danger. But the allocation of responsibility between tbe parties has also made it clear that auditors have to work with information provided *by* directors. The rules now also make it explicit that the going concern judgment is not a *guarantee* of future prosperity.

If auditors can educate the public on this definition of going concern it will go a long way to closing the expectation gap and protecting them from blame when companies fail. The need for more open discussion and analysis in financial *statements* of *going* coocern should also benefit the public interest.

For most company directors the new rules will not be a burden. But tbe *guidelines* undoubtedly focus tbeir responsibilities in a way which is difficult to avoid. There will be those who do not wish to *take* a more *rigorous approach* to what has up until now been seen as a hland assumption.

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Manchester 0625 539953 • Slough 0753 819227

DIRECTOR OF FINANCE

Buckinghamshire **£50K package**

Amersham & Wycombe College is an independent further education Corporation with B,500 students and 350 staff located across three main campuses in south Buckinghamshire. The College has been highly successful in diversifying its markets and the annual turnover is £12m having tripled over tha past four years. A significant area of growth has been in the provision of contract education and training services for major customers including the Prisons Service and local TECs. Some of this activity is undertaken through the College's subsidiary trading company of which the Director of Finance is the Company Secretary.

The Director reports to the Chief Executive, provides reports for the Board of the Corporation, the Finance Committee and the Audit Committee and regularly attends the meetings of these three committees. Following a recent reorganisation, the Director is now responsible for the College's MIS which adds a significant dimension to the breadth of responsibilities of the post. The Corporation is seeking to appoint someone who can build upon and develop the excellent financial base which has been established since the College left the control of the County Council in April 1993.

Applicants must have a recognised accountancy qualification, (eg ACA, ACCA, CIMA etc) together with a range of experience some of which must have been gained in the private sector preferably within large organisations. The ability to manage the development and implementation of new computer based systems is an important feature of the post. The College is pursuing delegated budgetary control which requires non-financial managers to manage their budgets and the Director is required to provide leadership and support for this culture change. The Director must have a good knowledge of tax matters including VAT and covenant payments. The Director has a team of 27 staff, 4 of whom are direct reports including a personal secretary.

Ideally in the age range 30-40 and seeking a significant career advancement, the Director of Finance will play a major part in the further development of the College and in ensuring its sound financial future.

If you are interested in this challenging post, please send a brief letter of application together with a full CV to Tricia Leman, Director of Personnel, Amersham & Wycombe College, Stanley Hill, Amersham, Bucks HP7 9HN.

The closing date for expressions of interest is Friday 25 November 1994.

COMMERCIAL FINANCE DIRECTOR

Commercial ACA, (mid 30s), Retail/Service industry background, FD of both small (£2m) and large (£300m) companies seeks contract work in the London or Thames Valley areas. Strengths include:
- System design, development and implementation
- Staff motivation and management
- Efficiency programme management
- Problem solving

For further details ring or fax: 0734 341567

High Profile Financial Planning *London*

Our client is a leading UK plc whose £4 billion operations are well-established in 50 countries worldwide. The activities of the Group are diverse and include consumer products and service as well as related and supporting areas of activity. The Group is well-placed to grow and develop further. As part of these development plans, the need for a strong and high profile Group Financial Planning function within the Head Office has been identified. As a result two unique opportunities to actively participate in exciting commercial decisions have now arisen:

Group Financial Planning Manager

£50,000 plus Bonus, Options & Car

Reporting to the Group Financial Controller and managing a professional team, the responsibilities will include:
- Key monthly reporting on operating and financial performance.
- Provision of all aspects of short, medium and long-term planning as well as ongoing performance review of the business.
- Collection and analysis of key (financial and non-financial) information required to run the business.
- Developing a financial support and advisory function for Group and Divisional Senior Executives.

To perform this role you will be a Qualified Accountant with a strong track record of direct and pro-active contributioo to business via financial planning and analysis. You will have experience at Group and ideally, at operational level; almost certainly within a blue-chip environment . Previous fmcg or related experience is ideal but not essential. Reference number WKW/6103/FT.

Group Financial Analyst

Up to £40,000 plus Bonus, Options & Car

A senior member of the team reporting to the Group Planning Manager. Responsibilities will include:
- Full involvement in the monthly reporting activity as well as the forecasting, budgeting and long-term planning processes.
- Production of performance measures, profitability analysis and risk assessment.
- Supporting the Group Financial Planning Manager in a wide variety of ad hoc projects.

Also a Qualified Accountant you will have a strong financial planning and analysis background within a large blue-chip organisation either within industry or the banking sector.

Strong interpersonal and relationship building skills as well as the ability to communicate credibly at all levels are essential to both roles. All candidates should be commercially and operationally orientated with the ability to take on a more strategic and wide perspective. Reference number: WKW/6100/FT

To discuss either of these positions further you should write to Karen Wilson at Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, Berkshire SL4 1QP, 0753-850 851, fax: 0753-853 339, enclosing a recent CV and a note of current salary, quoting the appropriate reference number.

Hoggett Bowers
EXECUTIVE SEARCH AND SELECTION

BUSINESS ANALYST

Key appointment in major Blue Chip Company

CENTRAL LONDON

to £38,000 + Car + Benefits

An outstanding opportunity has arisen for an ambitious and highly commercial finance professional to join one of Britain's leading companies. With an annual turnover in excess of £10 billion and operations throughout the world, the company is well placed to meet the global challenges of the future.

Working as part of a small, highly visible team, and liaising closely with corporate and operational senior management, your brief will be to provide detailed analytical information on financial planning, reporting and control issues. Specifically your time will be spent on preparation of Group budgets, five year plans, Group management accounts and ad hoc projects of major strategic importance.

The successful candidate will therefore require the following key attributes:
- Qualified graduate ACA with 1-4 years P.Q.E gained either within a top six firm or industry.
- Strong analytical skills combined with exposure to ad hoc project work and group consolidations.
- Intellectually robust with outstanding inter-personal skills.
- Ability to make an impact in a fast-moving change oriented culture.

We are interested in talking to candidates who can display records of consistently high achievement and who are comfortable working alongside senior decision makers. Energy, creativity and flexibility are all qualities which will enable you to take advantage of career opportunities within the company either in the U.K. or overseas.

Interested applicants should write in confidence, stating current remuneration, to **Andrew Livesey**, quoting reference number 2099, at Nicholson International, (Search and Selection Consultants) Bracton House, 34-36 High Holborn, London, WC1V 6AS. Alternatively fax your details on **071 404 8128**. Our client is an equal opportunities employer.

NICHOLSON INTERNATIONAL UK

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic Hungary Romania Russia Australia

LLOYD MANAGEMENT

From computer audit/consultancy to a major international group

IT AUDIT MANAGER

London

c£45,000 + car

Our client, **Pearson plc**, is the parent company of a worldwide media group whose principal operations are in the fields of book and newspaper publishing, entertainment, television and investment banking. The group will continue to grow both organically and through acquisition, which may be international.

The IT Audit Manager will work as a member of a small professional team responsible for the audit of the group's activities outside North America. Providing constructive and commercial advice on IT, financial, operational and business systems and controls to both group and subsidiary management, he or she will carry out all aspects of assignments. Ad hoc projects might include IT strategy studies and acquisition reviews. The internal audit function is highly regarded and has established a track record of promotion to senior line management positions in the subsidiaries.

Applicants should be graduate chartered accountants. In depth experience gained in either computer audit or systems consultancy is essential and ideally should include significant exposure to pc networks and mid-range based systems.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/119/F.

[illegible] High Holborn London WC1V 6QA 071-405 3499

Manager – Special Projects

Outstanding Accountant

Recently Floated Plc

Warwickshire

£50-£60,000 + Bens + Relocation

Our client is a recently floated distribution group, with substantial City support. Following the acquisition of a major competitor, the company is ideally positioned to make further inroads into its fragmented and competitive market sector. This will primarily be facilitated through an aggressive acquisition strategy coupled with a well defined sales and marketing formula. The dynamic executive team has created an environment that emphasises tight management controls and entrepreneurial flair.

To achieve the ambitious level of growth desired it is essential to recruit an outstanding Manager – Special Projects. This is a key appointment where the emphasis will be on contributing significantly to the growth and value of the business. The focus will be on developing a group wide rationalisation programme and installing effective management systems and controls.

The required candidate will be a task orientated and proactive qualified accountant (aged 32-40), with an outstanding record of success. Relevant experience will have ideally been gained in a multi site distribution organisation. A background of implementing systems and managing teams in a rapidly changing environment is strongly desired.

The rewards include an attractive basic salary, performance related bonus, share options and relocation package if appropriate. Most importantly this position provides the opportunity to join an ambitious group in its initial stages of growth and to achieve main board status within a short period of time.

Interested applicants should write, in the strictest confidence to Robert Walker or Brian Hamill, forwarding a curriculum vitae to our London office quoting RW 1451.

WALKER HAMILL
Executive Selection

103-105 Jermyn Street,
St James's,
London SW1Y 6EE

Tel: 0171 839 4444
Fax: 0171 839 5857

Head of Financial Planning

Providing service excellence through technology and people

Midlands c. £40,000 + Benefits + Car

Our client is currently spearheading the development of an innovative and exciting financial services operation which will create new standards for the industry. They operate in the personal sector market place and their success is based on a genuine commitment to quality, together with state-of-the-art technology, ensuring that they fulfil customers' requirements and expectations.

Reporting to their Finance Director, this new position will provide a focal point for strategic business planning issues within this young and dynamic organisation.

Key tasks will include:

- helping to develop and implement their financial business plans;
- devising and delivering a comprehensive MIS network which is able to cope with a rapidly expanding customer base;
- working proactively with internal management to provide an expert financial modelling service which meets their evolving requirements and aids commercial performance;
- acting as a catalyst to promote new financial initiatives throughout the operation.

Candidates will be graduates and qualified accountants (preferably ACA), likely to be aged in their late 20s to early 30s. Experience of working outside the profession is essential and ideally this should have been gained in a retail or service sector environment. Previous exposure to evaluating and selecting IT systems would be an advantage.

Energy, enthusiasm and first rate inter-personal skills are vital. You must be able to demonstrate a capacity for forward thinking and the ability to manage change effectively.

This is an exciting opportunity to join a customer focused company, whose growth potential is almost limitless. They have the brand name and full support of one of the world's largest financial institutions. For the right individual this position will represent an irresistible opportunity to gain further career development.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 123B on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

1 Waterloo Street, Birmingham B2 5PG. Tel: 021 633 4844. Fax: 021 633 3744

A GKR Group Company

Finance Director

Specialised Manufactured Products

North West c. £40,000 + Bonus + Car

This is an exciting opportunity to join a well established business operating in a range of international markets, which is a strategically important part of a quoted engineering plc.

The position will form part of a dynamic management team which is committed to the growth and evolution of this multi-sited operation. The role will be located in their business unit in the North West.

Key tasks will include:

- implementing strong financial controls;
- embracing an environment of change;
- making a significant contribution to the business;
- selecting and installing a fully integrated manufacturing/financial information system.

Candidates will be qualified accountants, preferably with a degree, who have a proven background operating at a senior level within a manufacturing environment. A thorough understanding of financial modelling techniques and PC systems is essential.

Excellent personal presence, drive and good analytical skills are important requirements. The successful candidate will enjoy initiating change, adopting a hands-on management style, and interfacing with all aspects of the company's operations.

This is a growing organisation which can offer first-class prospects for career development, including the possibility of a move into general management.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 125B on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

1 Waterloo Street, Birmingham B2 5PG. Tel: 021 633 4844. Fax: 021 633 3744

A GKR Group Company

Group Finance Director

Plc main board appointment

Yorkshire c. £65,000 + Executive Benefits

An innovative and ambitious market leader, our client has a growing international reputation in its specialist field of business services. As a direct result of continued growth and plans for further development of worldwide operations, there is an immediate requirement to appoint a Group Finance Director to the main board.

Reporting to the Group Managing Director, the successful candidate will take responsibility for all finance and corporate reporting matters for the group and its subsidiary companies. As a member of the 'Top Team', the person appointed will also be expected to make a significant contribution to the future strategy and direction of the business.

Key tasks will be to:

- define financial reporting requirements for subsidiary companies and provide appropriate management information to the senior management team to aid future decision making;
- manage all aspects of treasury, cash management and company secretarial issues;
- handle external relationships with investors, bankers, institutions and auditors.

Candidates, aged 30-45, should be graduates with a chartered accountancy qualification and possess experience with an industrial or service sector company. A background in a public company, as a Divisional Finance Director or in a central role as Financial Controller, would be a definite advantage. The ability to operate effectively in a customer-focused and market-led business environment is essential. The person appointed should be able to demonstrate first class communication skills and a high level of commercial awareness, combined with the ability to influence and negotiate at all levels.

The remuneration package reflects the importance of this critical appointment and will include a company car, a first class group pension and executive share option scheme.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 94373N on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

PARK HOUSE, 6 KILLINGBECK DRIVE, YORK ROAD, LEEDS LS14 6UF TEL: 0532 484848.

A GKR Group Company

ALWAYS Coca-Cola

COCA-COLA CCA AMATIL

CHIEF FINANCIAL OFFICER

Executive Package and Expatriate Benefits **Prague**

Coca-Cola Amatil, is a global leader in the manufacture, marketing and distribution of a portfolio of premier branded carbonated soft drinks, mineral waters and other non alcoholic beverages. The Company's position has been further strengthened by an agressive and successful expansion programme across Central and Eastern Europe typified by ourstandiog increases in sales, performance and profitability in the Czech Republic.

The success of Coca-Cola Amatil Czech Republic, the local franchise holder for Coca-Cola branded products, is underpinned by substantial investment in new manufacturing and distribution facilities, creative marketing and forward thinkiog management. Further growth is anticipated and the selection of a new Chief Financial Officer is seen as a key appointment for the business.

Reporting to the General Manager, the position will assume executive responsibility for directing the company's commercial strategies and growth orientated investment programs as well as overseeing 60 staff in Finance, Administration and Information Systems functions. As part of the Executive Management team in the Czech Republic the CFO will also be a key participant in the management of the Global business.

A Qualified MBA Accountant, the successful candidate will demonstrate a proven track record in an international business environment, ideally Eastern Europe, where you will have developed strong leadership and management skills and a strategic approach. A connection with the Czech Republic will be a distinct advantage. It is expected that you will have fully-developed Czech language skills.

Interested candidates should contact our advising consultant **Kean August**, in strictest confidence, at **FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, UK.** Tel No: **(44) 71 209 1000** (days) or **(44) 71 385 3886** (eves) Fax No: **(44) 71 209 0001.**

FSS EUROPE

Growing to excellence

Procter & Gamble, with home offices in Cincinnati, Ohio (U.S.), is one of the world's leading consumer goods manufacturers with over 250 different brand and product variations which are sold in over 150 countries and with approximately 97,000 employees around the world. Strong business growth in Europe, as well as increasing complexity and challenges in our operations, have created opportunities for extra (m/f)

European Tax Managers

As members of the European Tax Group and located either at the European Headquarters near Brussels or in one of our major European operating companies (e.g. in The United Kingdom, Germany, Italy, Spain, France, Switzerland), the successful applicants will be expected to :
• Provide tax advice and support to the European operating companies' management. • Establish clear, consistent and sustainable tax strategies for all facets of the business. • Assist in cross-border and local corporate tax planning, as well as compliance for the local corporate entities.

Proven technical ability, strong communication skills, business orientation with an ability to put tax planning in its context, and the desire and potential to contribute effectively to the overall management of the business are essential pre-requisites. Experience in international tax or in managing or advising Belgian Coordination Centers would be an advantage.

The above assignments would ideally suit a qualified University Graduate who has gained 3 to 5 years of corporate tax experience within an industrial environment or a professional office. Prospects for the successful applicants include the possibility of senior tax roles in operating companies, in the European Headquarters or in the International Divisions.

Interested applicants should contact either by phone or by letter Mr J. Hermans or Mr W. De Paepe, Recruiting Office.

Procter&Gamble
Europe

Temselaan 100 - 1853 Strombeek-Bever - Belgium - Tel. 32/2/456 21 11

FINANCIAL CONTROLLER

(Europe/Middle East/Africa)

Chemicals Sector

Based Brussels

The ISK Group of Companies is one of Japan's leading international chemicals producers with current revenues of US$1bn. Its Europe/Middle East/Africa business comprises chemical and agrochemical interests and is growing rapidly through the introduction of new and innovative products. To respond to this growth, particularly in continental Europe, the company is centring its European Headquarters in Brussels.

The important role of Financial Controller will take full responsibility for the financial management, data processing, insurance and legal aspects of the Europe/Middle East/Africa business. This will involve providing a full range of financial/management accounting and related services, working through a team of some 6 qualified and part qualified staff and liaising with finance colleagues in Japan and the USA.

To qualify for consideration, candidates must be qualified (Expert Comptable) accountants in the 35 - 45 age range with at least 10 years commercial/industrial accounting experience in a multi-national organisation. Competent in foreign currency transactions, they will have a detailed knowledge of Belgian accounting procedures, US GAAP and ideally Japanese reporting systems. A high level of computer literacy and fluency in French, English and preferably one other major European language is imperative. Experience of the motivation and development of a small accounting team and the achievement of results through team work is seen as essential.

To apply for this challenging position please forward your C.V. in English with indication of current salary to: S. Nicholson Associates, 246 Avenue de Tervuren, Boite 10, 1150 Brussels, Belgium.

ISK BIOSCIENCES™

C F A

Development/Venture Capital - Major European Player

Fund Accounting & Reporting

Ideally Mid/Late 30s ***flex c.£40/45,000 + Bonus + Car*** ***Central London***

Our Client is a recognised leader in the European Management Buy-Out/Venture Capital arena and, as an independent player, operates through six offices across the Continent. It currently manages equity investments in over 70 European businesses and, since inception in the early 1980s, has been involved in over 150 investments, with an aggregate value of several billion pounds; which have included some of the largest MBO/MBI transactions conducted.

Major growth and expansion plans, involving the raising of new equity funds to be under its management, has created the need for a Fund Accounting and Reporting Manager to join its small overall team of investment professionals and administrative support staff of some 30 people.

In this new appointment, you will report to the Group Finance and Administration Director. Your main involvement will primarily focus upon accounting, external investor reporting, and administrative activities required for the new funds under management. In particular, you will be responsible for the preparation of reports to investors, investor capital accounts, statutory accounts, funding co-ordination and liaison with third-party fund administrators. Additionally, you will act as a further central overall resource within the Group Finance and Administration Director's team.

Ideally, you will be a qualified accountant, with previous experience of fund management accounting/reporting, which could have been gained either within an appropriate financial institution or, alternatively, from relevant client exposure within the accountancy profession. You must be PC literate, a team player with a high level of self-motivation, pragmatic and flexible in attitude, with a "shirtsleeves" approach.

You should write enclosing a resume together with current remuneration details and daytime/evening telephone contact numbers, quoting Reference 411/B on both envelope and letter, to the address below:

Chryssaphes Flamminger Associates, Bechtel House, 245 Hammersmith Road, London W6 8DP.

INTERNAL AUDITOR

LONDON [illegible]

3i is the leading specialist investor in unquoted businesses in the UK. We provide equity and loan capital to support small and medium sized businesses in all sectors of the economy, encouraging wealth creation and business growth. We have recently achieved a listing on the London Stock Exchange and become a member of the FT-SE 100.

As one of the country's foremost lending investors in independent business, we naturally adopt progressive and professional practices - particularly when monitoring our own operations.

We are now looking for a conscientious and effective Internal Auditor to join our Audit team in Waterloo, to provide support on financial and operational processes to ensure we meet required standards and statutory regulations. A certain amount of travel will be involved.

You will be a Chartered Accountant with up to 2 years' post qualification experience. Knowledge of the financial services sector would be an advantage, as would a working knowledge of French or German. It is essential that you are computer-literate. You will also possess a high level of inter-personal and organisational skills, and have the ability to deal with sensitive matters in a confident and professional manner.

In addition to a competitive salary the package includes a company car and financial sector benefits.

If you are interested in applying, please forward your CV and a covering letter to Miss Ginny Kelly, Human Resources Department, 3i plc, Trinity Park, Bickenhill, Birmingham B37 7ES.

3i INVESTORS IN INDUSTRY

FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.
For information on rates and further details please telephone: **Philip Wrigley on +44 71 873 3351**

Head of Financial Planning & Analysis

South East *to £45,000 + Car + Banking Benefits*

Abbey National is the fourth largest financial services group in the British banking sector, with businesses which include life assurance and treasury services.

A career development move has created an attractive opportunity for an energetic accountant or MBA to take on this high profile position which reports to the Group Financial Controller.

Heading a young, professional team, your responsibilities will include balance sheet and margin analysis, loan loss provisioning and the financial evaluation of projects and acquisitions. Financial analysis of the company's monthly results will be an important aspect of the role, together with the provision of financial advice to senior management.

Intellectually agile, you will have good academic qualifications allied to exceptionally strong analytical, managerial and communicative skills. A proactive approach is called for, together with a positive attitude to change and the confidence to push forward the limits of your own responsibilities.

Proven experience of financial analysis and modelling gained within a blue-chip company or major accounting practice is essential, together with the ability to work equally effectively on both managerial and hands-on tasks. A background in banking and knowledge of treasury instruments would be advantageous.

As a key member of the management team, you will enjoy a full range of benefits including car and mortgage subsidy. To support a healthy work environment, Abbey National has a no smoking policy.

Interested applicants should forward their CVs to the Personnel Department, Abbey National Plc, Abbey House, Baker Street, London NW1 6XL. Tel: 071-612 4443 or 071-612 4454.

In pursuing our policy of equality of opportunity for all, Abbey National positively welcomes applications from every section of the community.

ABBEY NATIONAL
Promoting Success Through Equality

Financial Director

West Midlands **to £40,000 + Car + Bens**

Our client is a highly successful and profitable division of a well known UK plc, engaged in the construction and housebuilding industry. A combined strategy of astute financial control and market leading product quality has enabled the company to enhance it's market advantage through the 1990's, despite far from favourable trading conditions. With a strong balance sheet and minimal gearings, the company is poised for further significant growth.

In order to strengthen its financial and commercial expertise, the company is seeking to appoint an ambitious, qualified accountant with strong technical, analytical and communication skills. Reporting to the Divisional Managing Director, with a strong dotted-line to the Group Financial Controller, responsibility will encompass the overall management of the finance department, including all group reporting requirements, divisional management accounting, budgets, forecasts and systems development. The Financial Director will also command significant influence across the business in providing input on all commercial policy decisions, in addition to cost management and profit improvement initiatives. The position will work closely with divisional and Head Office management teams.

Prospective candidates must be qualified accountants (aged 30-45), with experience of managing a sizeable finance function. Whilst not essential, experience in the housebuilding or construction industry would be of particular interest. Above all, candidates must be able to demonstrate energy and commitment and the intellectual ability to contribute to strategic decision making.

Of equal importance are personal qualities, including strong interpersonal and organisational abilities and the skills of diplomacy, tact and judgement necessary to operate effectively in a demanding commercial environment.

Interested candidates should apply in writing, quoting reference 209513, enclosing a full CV (including a daytime telephone number and details of present remuneration) to William Greenwell at Michael Page Finance, The Citadel, 190 Corporarion Street, Birmingham B4 6QD.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow Edinburgh & Worldwide

Financial Director – Operations

West Midlands **c £35,000 + Car + Bens**

Since its establishment in 1980, our client has become a dominant force in the highly competitive retail market. Accelerated organic growth has been achieved through high quality service, astute merchandising and competitive pricing. Current turnover is in order of £500m and is generated from some 700 stores nationwide. A highly cash-generative business, the company is committed to a strategy of organic and acquisition-led growth to further extend its market advantage.

An opportunity has arisen for an outstanding finance professional to play a significant role in assisting the company to achieve its objectives. Reporting to the Group Financial Director, the role will encompass full functional responsibility for a sizable finance function, with particular emphasis on systems development. Operating in a highly cost and margin-sensitive market-place, the position will also be responsible for managing and analysing the performance of the business, with the key focus on tight cost control and overall operational efficiency.

This is a 'hands-on' and highly influential role and will be of particular appeal to those seeking their first Financial Directorship. Prospective candidates will be qualified accountants, able to demonstrate extensive financial management expertise in a fast-moving, volume-transaction commercial business. The successful candidate will most likely have worked in a multi-site environment and whilst not essential, experience in a retail business would be of particular interest.

Interested candidates should apply in writing, quoting reference 209638, enclosing a full CV (including a daytime telephone number and details of present remuneration) to William Greenwell at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow Edinburgh & Worldwide

SIB

PIA Supervision

Review Team Member

The Securities and Investments Board's wide ranging responsibilities as lead regulator under the Financial Services Act include overseeing the activities of the Personal Investment Authority – the newly formed main regulator for the marketing of retail investment products and services to the general public.

SIB has a new supervision department dedicated to ensuring that PIA delivers high standards of investor protection and regulation. SIB now wishes to appoint a member for the review team within this department. Reporting to the team manager, responsibilities will include:

- critical review of regulatory procedures and activities across the breadth of PIA;
- on-site assessment of PIA's monitoring and enforcement activities, including participation in visits to member firms;
- contribution to the development both of policies and procedures for review and of standards for cost effective regulation.

This review unit complements and informs a supervision unit which assesses PIA's management plans, performance against plans and the aptness and adequacy of its policies and resources for fulfilling its regulatory functions. An important part of the job holder's responsibilities will concern PIA's monitoring of financial resources, custody of client assets and portfolio management.

Applicants should be at least of graduate calibre, with an accounting qualification. They should have experience of or familiarity with some of the following areas:

- audit or consultancy work in the financial services sector;
- FSA compliance in retail financial services (whether in the industry or in regulation);
- investigation of financial impropriety;
- private customer portfolio management.

An aptitude for critical analysis is essential, as are good communication skills, both written and oral, and a mature personality with sound judgement.

Interested applicants should in the first instance contact Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH, quoting reference 208965. Telephone 071 831 2000. Closing Date 28th November 1994.

Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Sydney

Chance für Finanzprofi in internationaler High-Tech-Gruppe

Unser Mandant ist eine namhafte internationale Elektronik-Gruppe, deren Produkte weltweit vertrieben werden. Die deutsche Vertriebsgesellschaft im Rhein-Main-Gebiet erwirtschaftet mit ca. 60 Mitarbeitern einen Umsatz von ca. 180 Mio. DM. An diesem Standort ist nun folgende Position neu zu besetzen:

Finance Director

Anforderungsprofil:

- Alter ab ca. 30 Jahre
- sehr gute betriebswirtschaftliche Ausbildung (Universität + Chartered Accountant)
- mehrjährige Erfahrung in kaufmännischer Gesamtverantwortung
- fließende Deutschkenntnisse
- sehr gutes Kommunikationsvermögen und die Fähigkeit, Mitarbeiter zu motivieren
- unternehmerische, selbständige Arbeitsweise

Aufgabengebiet:

- verantwortlich für alle Finanz-/Rechnungswesen-/Treasury-Aktivitäten
- Erstellung von Monats- und Jahresabschlüssen nach deutschem und englischem Recht
- verantwortlich für alle Controlling-Aufgaben (inkl. Budgeting, Forecasting, Erstellung von Abweichungsanalysen sowie Berichtswesen an das Headquarter in UK)
- Kontaktpflege zu Wirtschaftsprüfern, Banken und Finanzbehörden

Die Position ist dem Geschäftsführer direkt unterstellt und hat eine funktionale Berichtslinie nach England. Wir suchen in erster Linie Kontakt zu Kandidaten mit englischer Muttersprache und einer sehr international orientierten Persönlichkeit. Wenn Sie es gewohnt sind, auch "hands-on" zu arbeiten, und Sie in diesem dynamischen Umfeld die Fortsetzung Ihrer Entwicklung sehen, würden wir Sie gerne kennenlernen. Für einen ersten vertraulichen Kontakt steht Ihnen Frau Susanne Scherp unter Telefon +211 32 44 55 gerne zur Verfügung.

Ihre aussagefähigen Bewerbungsunterlagen senden Sie bitte unter Angabe der Referenz SCH/324 an folgende Adresse:

Michael Page Deutschland GmbH
Steinstrasse 13,
40212 Düsseldorf,
Germany.

Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Sydney

Financial Planning Manager

West Midlands **c £30,000 + Car**

Our client is an £80m operating division of a major International engineering group. The Group operates an aftermarket, sales and distribution business for all the Organisation's manufacturing businesses.
A high calibre individual is sought to continue the development of the financial and business systems. The scope of the role will include:

- Production of monthly management accounts, cash and profit forecasts, preparation of annual budgets and three year plans.
- Close liaison with other Group businesses both in the UK and Overseas.

Suitable candidates for this role will be highly self-motivated and able to meet the challenge and the demands of a rapidly changing environment. With at least two years post qualification experience as a minimum, you will consider yourself a strong man-manager, able to motivate a team and to operate effectively at all levels within the Organisation. Further advancement within the Group is likely to be available to the right individual.

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Please write, in confidence, enclosing full career and salary details, to Tim Knight, quoting reference TCK/1011.

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The company now seeks a graduate calibre, qualified accountant to take responsibility for the finance and administration function. Key responsibilities will include compilation of financial and statutory information; definition of existing financial systems and controls; development of management information systems to reflect the future needs of the business; provision of detailed management reports to include analyses of key performance indicators; and continuing enhancement of computer systems in order to provide a sound platform for future development. Additionally the postholder will be responsible for appropriate company secretarial duties.

Interested candidates should send a comprehensive CV, highlighting relevant experience and including remuneration details to Karan Paige at KPMG Management Consulting, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone (0272) 464042.

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APPOINTMENTS ADVERTISING appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call: Andrew Skarzynski on +44 71 873 4054, Philip Wrigley on +44 71 873 3351, Joanne Gerrard on 071 873 4153

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FINANCIAL TIMES
COMPANIES & MARKETS
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Friday November 11 1994

IN BRIEF

Cuts offset weak sales at Pharmacia

Pharmacia, the Swedish drugs group, yesterday said underlying operating profits rose 18 per cent in the first nine mooths to SKr4.43bn ($602.2m). Cost-cutting enabled the group to improve against health authority clampdowns whicb reduced sales of some of its leading drugs. Page 18

Lufthansa shows further rise
Lufthansa, the German national airline, continued its much improved financial performance this year, lifting pre-tax profits by 51 per cent in the third quarter to DM220m ($143.79m). Page 18

Hyundai buys NCR chip operations
Hyundai Electronics America, a US subsidiary of the South Korean Hyundai group, has agreed to acquire the semiconductor operations of AT&T Global Information Solutions, formerly called NCR, for more than $300m. Page 19

Nickel outlook brightens
Twelve months ago, Inco, the western world's biggest nickel producer, was trimming its sails to cope with what looked like an unremitting market slump. Now the nickel price has climbed to almost $3 per lb, the directors are confident enough to approve a clutch of new projects. Page 20

Japanese chemicals put faith in cost cuts
Japan's chemical industry continued to suffer from falling prices and weak demand in the first half of this year, but its leading companies believe cost-cutting will help them lift earnings. Page 20

Attwoods ready to go up for sale Attwoods, the UK waste services group, is today expected to promise shareholders it will put itself up for sale if investors reject the hostile £364m ($596m) cash hid from Browning-Ferris Industries of the US. Page 22

Northumbrian Water doubles
Northumbrian Water Group yesterday took the lead in the UK industry's dividend bonanza with a record 16 per cent increase from 8.1p to 9.4p for the six months to September 30 in its first payout since the price review. Page 22

Recovery helps Burton to £41m
Burton, the UK clothing retail group including Debenhams, Burtons and Dorothy Perkins, more than doubled profits last year despite falling into the red in its multiples division. Page 23

Coats Viyella lines up buyers
Coats Viyella, tha UK's largest textiles company, has lined up several buyers for its yarns, fabrics and carpet divisions. Page 24

Danes consider big pig group
Danish co-operative slaughterhouses are considering merging to form one large company. The resulting company would be the second largest industrial group in Denmark and the biggest pigmeat processing group in the world. Page 26

Academic answer to UBS
Two Zurich academics have concluded that directors of Union Bank of Switzerland now have enough proxy votes to win shareholder approval to convert the registered into bearers at an EGM on November 22. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	1060	+	15
Goldschmidt TH	827	+	17
Falls			
Asko	750	-	20
Linde	895	-	16
Schering	960	-	24
Siemens	619.7	-	14.1
NEW YORK ($)			
Rises			
Sears Roebuck	51⅝	+	2¾
Falls			
Greyhound Lsis	2⅛	-	⅛
Intel	60⅝	-	⅝
Nat Semi	17⅝	-	⅛
Telmex	53⅝	-	2⅝
Texas Insts	76¾	-	2
New York prices at 12.30pm.			
LONDON (Pence)			
Rises			
Burton	71	+	7½
Coats Viyella	202½	+	8½
Eurotunnel Uts	251	+	12
Honeysuckle	75	+	6
Morrison Supmkt	140	+	5½
Northumb'n Wtr	712	+	16
Oxford Instmts	328	+	20
Falls			
Amersham Int	909	-	19
Chiltern Radio	258	-	22
Coal Inve	79	-	8
Environmed	126	-	7
Powerscreen	285	-	7
Presidio Oil A	85	-	28
Staveley Inds	194	-	12

PARIS (FFr)			
Rises			
Lafarge Coppee	417	+	11
SILIC	700	+	19
Sallneg	397	+	11.1
Falls			
Carrefour	2171	-	127
Euro RSCG	594	-	30
Promodes	1000	-	29
TOKYO (Yen)			
Rises			
Kojima Iron	700	+	100
Falls			
CSK	2850	-	300
Konami	2010	-	400
Meniya Op	1080	-	170
Nippon Housing	170	-	30
Sailor Pen	794	-	100

Shell dips as margins tighten

By Robert Corzine in London

Production losses from the recent oil strike in Nigeria and tighter refining margins in Asia caused third-quarter profits for the Royal Dutch/Shell group to ease back 1 per cent to £853m ($1.4bn).

Shell shares closed 8p down at 711p, after the company reported a 3 per cent drop in net income for the nine months to £2.38bn on an estimated current cost of supplies basis, similar to a replacement costs measure.

Shell, in common with other integrated oil companies, experienced a strong cyclical rebound in chemical aarnings during the third quarter.

Rising volumes and lower operating costs resulted in chemicals' earnings nf £158m, against a £168m loss last time. Shell said it was optimistic that demand would grow as world petrochemicals' markets continue the recovery in line with stronger economic growth in the main industrialised economies.

The rebound in chemicals failed, however, to offset tigher refining margins in Asia, where Shell has extensive downstream interests. High refining margins in the region drew in imports nf refined products from Middle East producers such as Kuwait. New refinery capacity in the area eroded margins further, although Shell predicted an improvement in the fourth quarter.

Total oil product sales were up 8 per cent outside the US, with increases in Asia and Latin America offsetting a decline in Europe.

The third-quarter results were also depressed by the effects of the Nigerian oil strike this past summer. The loss of production from Shell's large onshore fields in Nigeria caused worldwide net equity crude oil production in the quarter to fall by 2 per cent to 1.69m barrels a dsy.

Exploration and productioo earnings fell 37 per cent to £350m. The loss of Nigerian output coincided with this year's highest world crude oil prices. It also lowered cash flow to £5.6bn, against £5.8bn last year.

Shell expects crude oil prices to firm in the fourth quarter, when demand nsnally increases because of winter in the northern hemisphere. But it noted that price movements were also dependent on the actions of the Organisation of Petroleum Exporting Countries at its meeting later this month.

Capital expenditure and exploration spending for the nine months rose 10 per cent to £4.6bn. Total debt remained relatively modest at £8.2bn, with a total debt ratio of 18.4 per cent.

Lex, Page 16

Robert Corzine sees oil groups overcoming risks to develop promising fields

New frontiers open up in the deep blue sea

Oil companies are keen followers of fashion. As soon as one makes a significant discovery in a promising new area, others pile in.

At least that was the bope of the UK government, which earlier this week gave the go-ahead for the development of Fnínaven, the UK's first oil field in the deep waters west of the Shetland Islands.

British Petroleum has estimated total reserves at Foinaven of 250m-500m barrels of oil, placing it in the npper range of recent North Sea discoveries. But the field is much smaller than the multi-hillion harrel fields such as Forties and Brent discovered in the early stages of North Sea exploration.

For the UK, however, Foinaven promises to open up a new frontier oil province of perhaps 3.5bn-4bn barrels of oil, placing it in the "world class" category.

Foinaven is further evidence that oil companies are increasingly confident that they can find and produce oil in water depths and conditions which just a few years ago would have been judged too risky.

New seismic techniques enable geologists to "see" potential fields better. Advanced drilling methods allow wells to have lengthy horizontal sections within the reservoir, so more oil can be recovered and fewer wells need to be drilled – important when a well can cost $10m-$15m. BP expects first oil from Foinaven three and a half years after its discovery, compared with up to 10 years for most projects.

Growing deep water experience promises further hig gains in efficiency and cost savings. US oil companies have joined together in the Deep Star programme to develop deep water technology.

Other savings are being realised through design improvements, such as Shell's floating platform at its new Auger field in 2,860 ft of water in the Gulf of Mexico which contains 39,000 tons of steel. Refinements mean that the nearby Mars platform being installed in 2,933 ft of water will contain 8,000 fewer tons of steel.

Mars' planned output nf 100,000 b/d will be double that Auger, but it will cost $200m less.

Such savings have helped to slash finding and development costs per barrel, which in Foinaven's case is down to $4-$5. That makes such developments economically feasible even when crude oil prices are at low levels.

Given the prospect that costs for new projects will fall even further, the enthusiasm for deep water projects is likely to grow.

Some of the most promising deep water oil regions, such as the west of Shetlands and the Gulf of Mexico, are close to established offshore oil provinces. Companies have ready and cheap access to shore terminals and undersea pipelines which can be extended to the frontier areas.

But could the deep water projects influence world crude oil prices in coming years? Some analysts think they will.

They note that apart from the UK and US, many of the most exciting deep water prospects are in Brazil, Mexico, Malaysia, the Philippines, Angola and Namibia. With the exception of Nigeria, they are outside the Organisation of Petroleum Exporting Countries, and therefore not subject to Opec production quotas.

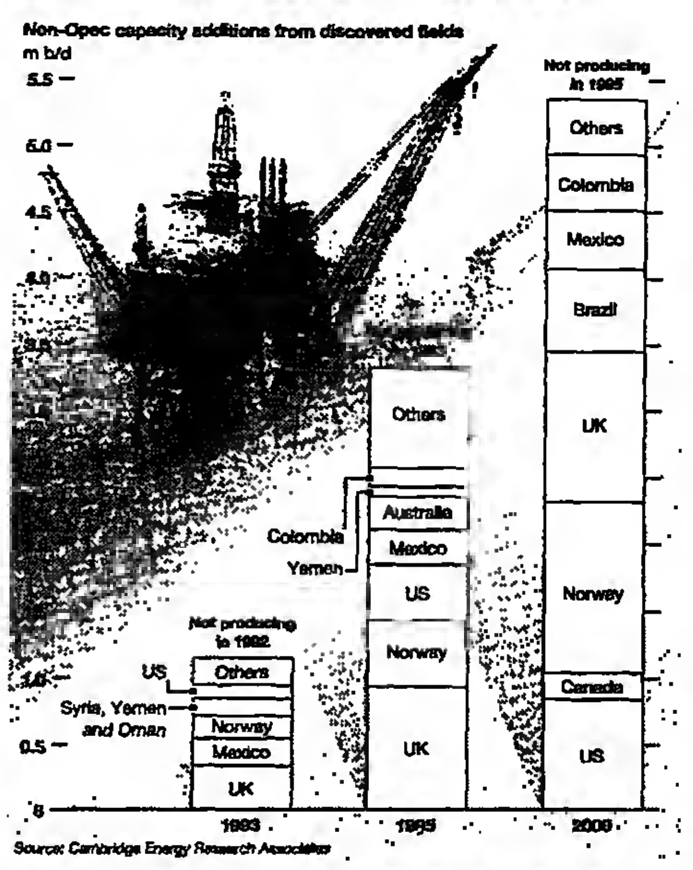
Other analysts note that even relatively small changes in oil output in key countries such as the US or the UK can have a far-reaching effect on prices, because of the central price-setting performed hy benchmark crudes such as Brent Blend.

The sharp rise in non-Opec production over the past year has clearly confounded current Opec attempts to boost prices.

Mr Mehdi Varzi of London brokers Kleinwort Benson says there is a possibility that oil markets and Opec will continue to underestimate non-Opec production over the next few years.

Mr John Toalster of London brokers Société Générale Strauss Turnbull, says: "The North Sea is the current bête noire of Opec." Foinaven and the other fields west of Shetlands may in the future assume that mantle.

Non-Opec countries roll out the barrels



Source: Cambridge Energy Research Associates

BT held back by cost of cutting jobs and prices

By Alan Cane in London

The cost of cutting prices and jobs held back revenues and profitability at British Telecommunications in the first six months.

Sir Iain Vallance, chairman, warned that the second-half results would he affected hy the same factors, influencing a 5p fall in the share price to 388p.

Despite a stronger UK economy which helped to push up inland call volumes by more than 7 per cant, profits before tax were £1.49bo ($2.44bn), slightly below the £1.5hn recorded last time. Turnover rose to £6.85bn compared with £6.76bn. Earnings per share fell from 15.6p to 15p.

Sir Iain said the group's underlying performance was strong, arguing that after adjustments for redundancy charges of £151m, a £75m premium on the repurchase of bonds and the effects on the results of the disposal of group undertakings, turnover was up by 2.4 per cent in both the second quarter and the half year.

On the same basis, pre-tax profits rose 5.2 per cent in the second quarter and 3.7 per cent in the half year while earnings per share were up 5 per cent in the second quarter and 3.4 per cent in the half year.

An interim dividend of 7.05p will be paid representing a 6 per cent improvement on last time. At the same stage last year, Sir Iain had warned thet the 8.1 per cent rate of dividend growth awarded theo was unlikely to be maintained.

The group had dropped prices 11 times this year under the conditions of its pricing formula and had already returned about £1bn to customers in tbe form of price cuts with a further £400m to be shaved in the present year.

Mr Michael Hepher, managing director, claimed success for the "Good to talk" advertising campaign and for specific marketing initiatives such as National Weekend Rate.

Staff numhers were now 151,600, 4,400 lower than the start of the year and on track for a reduction of 15,000 in the full year.

Sir Iain said that Concert, the group's joint venture with its US equity partner MCI, was ahead of the competition in being able to offer international companies "seamless" voice and data services; the venture had some 75 oew customers representing £200m in additional revenue.

Completion of the MCI investment increased the group's gearing at September 30 to 29 per cent with net debt standing at £3.37bn.

Analysts yesterday described BT's performance as sound across the board. Pre-tax profits estimates for the full year are unchanged at about the £2.45bn-£2.5bn mark.

Axa may seek foreign listings to build base

By Andrew Jack in Paris

Axa, one of France's largest insurance groups, is considering seeking stock exchange qnotations in London and Tokyo as well as New York over the next two years, it said yesterday.

Mr Clande Bébéar, chairman, was keen to broaden the shareholder base and obtain listings in other countries where the company has significant business interests.

The listings are aimed to lift the profile of the company internationally and aid in capital raisings for foreign development.

Axa is already at an advanced stage of talks with the New York Stock Exchange about obtaining a US listing. It is embroiled in negotiations over the different accounting raqnirements demanded by the Securities and Exchange Commission.

Mr Bébéar said he was also keen to issue shares in the UK and Japan. "We are seen as a French company. We want to show that we are becoming more and more global," he said.

He would not give details of the size of the potential new share capital but said ultimately it would make sense for Axa to have stock market capitalisations in the leading world markets in proportion to the amount of business it does there.

Axa is developing links with analysts in London, Edinburgh and Frankfurt this year.

Mr Bébéar said he was also in discussions about raising $100m-$200m through other forms of financial instruments next year. He stressed that the company already had access to facilities of about FFr30hn ($5.85bn) if it needed to make quick decisions about potential acquisitions.

Siemens Nixdorf's new chief reviews his first months

Race to renew a corporate culture

If Mr Gerhard Schulmeyer is worried about his company's accumulated losses of DM2.25bn ($1.5bn), he does not show it. The new president and chief executive of Siemens Nixdorf (SNI) seems more concerned about units of time than D-Marks and dollars.

The Siemens group has ample funds and profits to maintain the transfusions into its ailing information technnlogy subsidiary which started when the acquired Nixdorf husiness was clumsily grafted on to its own mainframe operations in 1990.

But time is a different matter, and as Mr Schulmeyer said yesterday, tha years which in normal circumstances would be needed to complete the job of renewing SNI's culture are not available to him.

"Changing a corporation's mentality usually takes three to five years, and we don't have it," he told a press conference called to review his early days – 132 of them, as he pointed out – at the company.

Although striving to be tactful about SNI's previous bosses, he made plain that their admirable ambitions of becoming fast, flexible and closa to the customer were unattainable in the strait-jacket of traditional, vertically structured German management methods applied hitherto.

"We cannot think in terms of two-year or five-year plans. We have to think of days," he said. "If you don't have a major technical feature change every six months you start to look old. You must revamp your entire product range every 12 months or you begin to look out of step."

Mr Schulmeyer, formerly head of Asea Brown Boveri's US operations, and fresh from six months' teaching management at the Massachusetts Institute of Technology, admitted the processes he was trying to introduce were alien to Germany, but insisted they were essential for the success of a high-technology, market-driven business.


Schulmeyer: improved odds

"Classical functional organisational structures, in Germany especially, inevitably lead to a fragmented way of working with all the attendant penalties of delay, inflexibility and high overheads.

"Conventional approaches to hiring, training and developing employees create narrow-minded and inflexible specialists and a management cadre that has few entrepreneurial skills beyond paper-pushing and in-fighting."

Such conflicts figured large among the well-publicised problems which afflicted SNI from the outset, and which Mr Schulmeyer yesterday suggested had still not been properly resolved. During the unification process, insufficient attention was paid to reinforcing the relative advantages of the two cultures, he said.

"SNI has not yet achieved a well-formulated cultural dimension," he charged. "Siemens is still dreaming of its mainframe days and Nixdorf is still in its mid-range mentality."

And, he suggested, there was no greater sin for an information technology group than to dwell on the past: "We should not try to find the future by analysing our histories to death."

"We managers have to learn to take risks otherwise nothing will happen," he said. As for the risk of his failing in his main ambition, Mr Schulmeyer said he had given himself a 60:40 chance of successfully changing the SNI culture when he arrived. Since then he had met or addressed 11,000 of the group's employees. Young managers had been sent for training in the US. He had employed restructuring experts and he had reserves of expertise among his colleagues at MIT. He felt the odds on his success had improved to 70:30, he said.

Business was also improving. In spite of appearances, SNI was not teetering on the brink of disaster. It was on a healthy recovery path, he claimed. In the current financial year, when Europe's compnter price wars would cost the group even more than last year's DM900m, the company would make an operating profit, although further restructuring charges would leave it with another deficit on the bottom line, he said. Sales were expected to grow 4 or 5 per cent and productivity was planned to increase 15 per cent.

Although SNI lost DM350m last year, the situation had improved in the second half when turnover increased 23 per ceot, said Mr Schulmeyer. Over the whole year persooal computer sales bad increased 50 per ceot compared with 1992/93. The PC division had gained a 10.4 per cent share in Germany, was growing sales faster tban tbe market, and was no looger a "headache financially".

Christopher Parkes

Lufthansa keeps up improvement with 51% rise

By Andrew Fisher in Frankfurt

Lnfthanaa, the German national airline, continued its much improved financial performance this year, lifting pre-tax profits by 51 per cent in the third quartar to DM220m ($143.79m). The airline said it expected to hreak even in the fourth quarter.

For the whole year, it expects to make a profit and pay a dividend for the first time in five years. Shareholders last received a DM4 payment per share in 1989.

The company said that in the first nine months, it made a pre-tax profit of DM325m, compared with a loss of DM76m in the same period of 1993. Group cash flow would total DM2.2bn this year, it added, with total investments at DM1.8bn. It gave no comparative figures.

Revenues from flight operations were 8 per cent higher in the first nine months at DM10.6bn, with total revenues 7.5 per cent higher at nearly DM12bn.

Passenger numbers were 28.4m, a rise of 4.7 per cent, with sales in terms of tonne-kilometres 8.8 per cent higher. Cargo business in the nine months rose hy 20 per cent and the overall load factor by 1.8 percentage points to 70.4 per cent.

The airline, which recently signed a partnership deal with Thai Airways International covering both cargo and passengers, had posted its first profit for five years in the first half of this year; pre-tax profits totalled DM105m, against a DM221m loss in the corresponding period of 1993.

Last month, the government yielded control of the airline hy not taking up its entitlement in a rights issue.

The shares were sold to investors in Germany and abroad to raise more than DM1bn.

It has also decided to spin off its cargo, maintenance and information technology services into independent profit centres to continue the streamlining begun several years ago.

Watchdog to probe Carrefour share fall

By Andrew Jack in Paris

The French market watchdog yesterday launched a formal inquiry into Carrefour, one of the country's leading hypermarket chains, in the wake of a sharp drop in the company's share price following rumours on the Paris bourse.

The rumours appeared to be the cause of a drop of up to 8 per ceot in the price of the shares yesterday, following a decline the day before of 4.7 per cent.

The Commission des Opérations de Bourse confirmed last night it was investigating Carrefour on two grounds: the market in the shares, and two pieces of price-sensitive information it had received two days earlier. It refused to give details of what the information concerned.

However, Carrefour said the share price fall appeared to have been caused by two rumours: that it was to announce an increase in its capital in an effort to buy Caro, a distribution company, and that it had offered hribes to the Communist party.

The group flatly denied the two rumours yesterday and said it would welcome and co-operate fully with an inquiry hy the COB.

It said it had no plans to buy Caro, with which it said it had no connection.

The company added that it had no detailed knowledge of the background to any hribes, hut firmly rejected suggestions any money had been paid to the Communist Party.

Bologna banks get go-ahead for merger

By Andrew Hill in Milan

The Bank of Italy yesterday gave the go-ahead to a proposed merger hetween two Bologna banks – Credito Romagnolo (Rolo) and Cassa di Risparmio in Bologna (Carisbo) – giving them a head-start over Credito Italiano's rival plan to take control of Rolo.

The central bank, which supervises the fragmented Italian banking sector, is still considering Credito Italiann's plan to bid L2,000bn ($1.27bn) in casb for a 48 per cent stake in Rolo, to add to the 2-3 per cent it already owns.

The Bank of Italy was not expected to reject the planned merger between Rolo and Caer, Carisbo's holding company. Earlier this year, it approved a similar plan for an alliance hetween the twn, which was then shelved.

However, Rolo is bound to argue that the decision gives it a defensive advantage over Credito Italiano. The Bologna hank plans a shareholder meeting on December 19 or 20 to vote on the merger, and it is also preparing to attack Credito Italiano's preliminary hid plans on legal grounds.

Meanwhile, Credito Valtellinese, a small northern Italian bank, annunced plans to take control of Credito Artigiano, a Milan-based bank in which it has a 20 per cent stake.

Valtellinese said it would pay L146.3bn for a 29.27 per cent stake held hy Artigiano's majority shareholder, Fondazione Vismara, and offer to buy np a 1.73 per cent from another sharehnlder to take control.

Valtellinese has given the second shareholder, Fondazione Lambriana, until the end of the month to respond to the offer, hut stressed yesterday that the move was a friendly one. If successful, the alliance will create an expanded network of 100 hranches in Milan and the lakes area of northern Italy. Valtellinese, based in Sondrio north of Milan, has held a 20 per cent stake in Artigiano for five years, alongside the two charitable foundatinns, both of which are linked to the archdiocese of Milan.

Cuts offset sales fall at Pharmacia

By Christopher Brown-Humes in Stockholm

Pharmacia, one of the world's top 20 drugs groups in terms of sales, said yesterday that underlying operating profits rose 18 per cent to SKr4.43bn ($602.2m) in the first nine months of the year.

Cost cutting enabled the group to improve its performance, against increasing competition and health authority clampdowns which reduced sales of some of its leading drugs.

Year-on-year comparisons were distorted by one-off gains and the group's acquisition of the Italian pharmaceuticals company Farmitalia Carlo Erba (Fice) in May 1993.

Pro-forma figures show underlying sales up 3 per cent at SKr19.57bn and operating costs down 4.2 per cent at SKr14.84bn. One-off gains of SKr842m helped lift operating profits to SKr4.43bn, up 61 per cent from last year's SKr2.74bn. Income after taxes and minority interests was SKr2.66bn.

In the third quarter, operating profits rose to SKr1.66bn from SKr996m. However, excluding one-off gains of SKr658m, the figure was just SKr12m higher than a year ago.

Pharmacia, privatised hy the Swedish government in June, has mounted a cost-cutting drive since its Fice purchase. The programme aims to trim annual costs by SKr1.2bn by 1996 and lift the operating margin to 20 per cent. In the 12 months to September 30, the margin reached 16.7 per cent, compared with 14.7 per cent for the full 1993 year.

Sales development has been less successful. Sales of Genotropin, the company's growth hormone drug, fell 6 per cent over the nine months, to SKr1.96bn, due to tougher competition in some markets and cost-containment measures in Spain, Australia and Italy.

Sales of Healon (cataract surgery) were 4 per cent lower at SKr1.18bn after being hit hy tougher competition and lower prices in the US and Japan.

The anti-blood clotting agent Fragmin has been hit hy changed reimbursement rules in Japan. Its sales were 9 per cent lower at SKr592m.

The group's anti-cancer products, Farmorubicin and Adriamycin, showed a favourable development, with sales rising 13 and 7 per cent respectively.

Power generation helps surge at Veba

By Michael Lindemann in Bonn

Veba, the German energy-based conglomerate which recently announced a push into telecommunications, hoisted net profits by 49 per cent to DM677m ($442.5m) in the first nine months of this year, up from DM453m.

It was helped by strong sales at PreussenElektra, which is Germany's second-biggest provider of electricity.

The increase was in line with forecasts, and the company said net profits for the full year would be "significantly" higher than last year's DM825m.

Earnings were also bolstered hy the sale of coal trading interests at the Raab Karcher unit, which raised DM132m.

Turnover for the nine months rose 6.6 per cent to DM52.4bn, up from DM49.1bn. The sharpest rise, of 28.9 per cent, came at PreussenElektra, which incorporated for the first time the results of five east German regional generators bought at the beginning of this year.

The company said its troubled chemicals division was making an operating profit, hut there would be a loss for the whole year because of further restructuring costs of DM180m. Sales rose 1.5 per cent to DM7.6bn.

The results do not include Vebacom, the company's newest division, created earlier this year. An international partner for Vebacom is expected to be announced shortly.

Mr Ulrich Hartmann, chief executive, recently announced a planned DM6bn investment in telecommunications over the next 10 years. Vebacom has a turnover of around DM240m according to most recent figures.

Veba has a 15 per cent stake in a consortium led by the French construction group Bouygues, which won the licence to build France's third mohile telephone network. It also recently announced a joint venture with Deutsche Bahn, the German railways, to build a corporate network over the DB infrastructure and linked to its network at PreussenElektra.

Sales in the oil division, representing 21 per cent of group turnover, fell hy around 4 per cent.

Trade and services, the largest division with 42 per cent of group turnover, saw sales slip by 0.4 per cent to DM21.8bn.

Prudential to shorten directors' contracts

By William Lewis in London

The Prudential Corporation, the UK's largest investing institution, is poised to follow the trend of other large companies and cut the length of its directors' service contracts.

This move follows mounting criticism from institutional shareholders of large payouts to directors who have resigned while holding long service contracts. It marks a reversal of the Prudential's policy, which previously gave stroog support to three-year rolling contracts.

Last June it said: "If we want to recruit and retain the right quality of executive on to our board, we need to offer them a competitive remuneration package and currently a three-year contract is part of that deal."

This was in response to the launch of a campaign by PosTel, the £25bn ($40bn) pensioo fund, calling for a reductioo in the length of service contracts. PosTel votes against the election or re-election of directors with rolling employment contracts longer than two years.

The Prudential's change of policy is likely to remove the possibility of PosTel embarrassing it at its annual meeting in May, when Sir Martin Jacomb, PosTel chairman, is due to become non-executive chairman of the Prudeotial.

Five executive directors of the Prudeotial have three-year rolling contracts.

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Motor premiums set to rise at CU France

By Andrew Jack

The French arm of Commercial Union, ooe of the UK's biggest composite insurers, is set to raise motor premiums hy up to 10 per ceot early next year as part of an effort to increase profitability.

Commercial Union France, known as Victoire hefore it was acquired hy the UK insurer earlier this year, also plans to merge its operations in France in an effort to cut costs.

Commercial Union earlier this week reported worldwide pre-tax profits of £305m ($498m) for the first nine months of the year, or nearly douhle the amount for the same period last year.

CU France reported total premium income up 16 per cent to FFr19.7bn ($3.7bn) for the first three quarters.

Life income rose 20 per cent to FFr13.1bn and non-life 5 per cent to FFr6.5bn.

Mr Bernard Pottier, director general of Commercial Union Assurances, one of the main subsidiaries, said he expected motor premiums to rise hy between 8 and 10 per cent next April.

The company would also be aiming to improve the selectivity used to assess risk.

Mr Pottier said that – in common with its competitors – the company had suffered from a rise in claims caused by theft and windscreen damage.

Restructure costs drive Logitech into deficit

By Ian Rodger in Lausanne

Logitech, the world'a largest maker of computer pointing devices (mice and trackballs), has reported a SFr31.6m ($25m) loss in the six months to September 30, mainly because of a SFr24m restructuring charge.

The Swiss group, struggling to hring down costs in response to a price war in the worldwide personal computer industry, is curtailing production in the US and Ireland with the loss of some 500 jobs, a fifth of its total workforce.

Sales were down 16.2 per cent to SFr192.2m in the first half in spite of a 20 per cent rise in volume. Mr Daniel Borel, chairman, said prices of pointing devices and scanners, the group's other product line, had fallen by between 30 and 40 per cent during the period.

Excluding extraordinary items, the loss reached SFr7.6m, compared with a profit of SFr4.7m in the first half of fiscal 1993-94.

Mr Borel acknowledged the figures were "troubling", and admitted the group had not responded quickly enough to the intensifying challenge from low-cost east Asian-based production. It had also excessively diversified.

Production of commodity items would now be concentrated in China, and high-technology prodncts would be made in Taiwan. The group had given up an attempt to break into the market for sound systems for computers.

Mr Borel confirmed rumours that the directors had considered seeking a partner to secure the company's future, but decided to "keep fighting". Operating costs were now better aligned with those of competitors and the balance sheet was strong with SFr83.9m in shareholders' funds at the end of September.

In the second quarter, the operating loss had been cut to SFr1m after losses of SFr4.1m and SFr4.6m in the two previous quarters.

He said the remainder of the current fiscal year would be "delicate" because of production transfers and redundancies.

Hyundai buys NCR chip operations from AT&T

By Louise Kehoe in San Francisco

Hyundai Electronics America, a US subsidiary of the Hyundai group of South Korea, has agreed to acquire the semiconductor operations of AT&T Global Information Solutions, formerly called NCR, for more than $300m.

The acquisition is the largest of its kind by a Korean company in the US, Hyundai said.

AT&T announced in August that it was seeking a buyer for the NCR chip operations. With sales last year of $372m, the unit employs about 1,850 people at two semiconductor plants in Colorado as well as a plant in Wichita, Kansas, that makes circuit boards for personal computers. The division is profitable and its sales have been growing at about 25 per cent per year, AT&T said.

Hyundai Electronics said it would retain the current management of the NCR division, which would operate as an independent, autonomous subsidiary.

With estimated world sales of $1.05bn in 1993, Hyundai Electronics is the third largest Korean semiconductor manufacturer, after Samsung and Goldstar. Hyundai's semiconductor revenues are expected to more than double this year to about $2.5bn.

To date, however, Hyundai's semiconductor operations have been heavily concentrated on memory chips, used in all types of computers.

"The acquisition is a strategic move to expand Hyundai Electronics' strong presence in tha global semiconductor marketplace from a volume-driven memory business to the high value-added integrated circuit business," said Mr Y.H. Kim, chief executive of Hyundai Electronics America.

The NCR Microelectronic Products division produces specialised microchips, including application-specific integrated circuits.

Cray unveils new supercomputer

By Louise Kehoe

Cray Computer, the struggling supercomputer developer, has announced a new model which it claims will match the performance of any commercially available supercomputer at a fraction of the price.

The new "Cray 4" supercomputer is priced at about $6m for a system with performance equivalent to a $25m supercomputer sold by Cray Research, the world's leading manufacturer. Cray Computer is a spin-off from Cray Research, formed by Mr Seymore Cray, founder of the original company bearing his name.

Cray Computer has yet to make a single sale and its future is largely dependent upon finding a buyer for the new Cray 4 over the next few months, according to industry analysts. In recent months two other US supercomputer companies, Thinking Machines and Kendall Square, have ceased manufacturing operations.

Cray said, however, that it has some "strong indications of interest" and believes that it is close to receiving its first order. "We plan to be able to make our first delivery by the end of the first quarter of 1995," said Mr Charles Breckenridge, executive vice-president of marketing.

US oil and gas side of Santa Fe Int'l for sale

By Robin Allen in Dubai and Robert Corzine in London

The state-owned Kuwait Petroleum Corp yesterday said it would sell the US oil and gas exploration and production operations of Santa Fe International Corporation, a wholly-owned subsidiary.

Mr Nader Sultan, KPC deputy chairman, said the US operation was "no longer a strategic priority".

The sale will not affect Santa Fe UK's operations in the British sector of the North Sea.

Nor will it include Santa Fe's extensive international drilling operations.

Santa Fe was one of a series of US and European investments made by KPC during the 1980s under the chairmanship of Sheikh Ali Al-Sabah, the then oil minister. KPC paid $2.5bn, or $51 a share, for Santa Fe in 1981.

Santa Fe lost $2.9bn between 1981-90, according to official Kuwaiti figures.

A Kuwaiti parliamentary watchdog has charged that the acquisition was a "hasty personal idea" rather than part of a well *thought-out investment* strategy.

Allstate shaken by earthquake

Reducing disaster exposure is a key to earnings, says **Richard Waters**

Allstate is one of the hot potatoes of the US insurance business.

Last year, it made $1.3bn of profits after tax – equivalent to a 19 per cent return on capital. That is almost unheard of for the US personal property/casualty insurance industry, where premium rates are controlled by state regulators.

Then came the earthquake centred in Northridge, California. With its 12-13 per cent share of the home insurance market in southern California, Allstate was hit hard by January's earthquake. Like others, the company has revised its estimate of losses upwards several times during the year. The latest figure is $1.3bn.

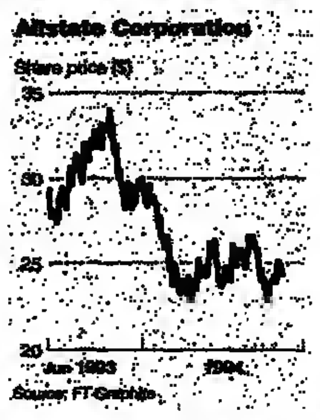
All of this makes Allstate, based in Northbrook, Illinois, one of the purest stock market plays in the US personal property/casualty business. State Farm, its rival with some 20 per cent of the US homeowners and auto insurance market (and $1.5bn of losses from Northridge) is a mutually owned company. Farmers, whose concentration on the west coast landed it with an estimated $1.3bn of losses from the earthquake, is owned by BAT Industries, the UK-based tobacco and financial services group.

Reducing its exposure to natural disasters such as earthquakes and hurricanes is one of the keys to future earnings. After taking account of reinsurance cover, the company's Northridge losses amount to about 11 per cent of its capital, according to Mr Peter Wade, associate director of Standard & Poor's, the US rating agency.

Subjecting the company's balance sheet to various disaster scenarios suggests that about 25 per cent to 30 per cent of its capital could be at risk, he adds. Allstate is now trying to reduce that to below 20 per cent – although regulations in states such as Florida, which limit the ability of insurers to stop renewing homeowners' *policies, hinder this process.* The scarcity of reinsurance coverage for catastrophe losses has also made the task difficult to accomplish.

Allstate's shares trade on a multiple of around 9 times earnings before catastrophe losses, some two points below the average insurance group, a discount which could reflect the controlling interest of Sears

As long as it is perceived to face higher catastrophe risks than other insurance groups, Allstate is likely to continue to trade on a lower price/earnings multiple (its shares trade on a multiple of about 9 times earnings before catastrophe losses, some two points below the average insurance group). "To some extent, the discount may reflect the controlling interest of Sears," Mr Myron Piccoult, an insurance analyst at Oppenheimer, suggested recently. However, he added that the catastrophe exposure was the bigger *concern.*



In the meantime, Allstate continues to run one of the most effective sales machines in the US insurance business. Sears was in the financial services business long before it became fashionable – it established the company in 1931 to sell auto insurance through its catalogues and stores – and has turned Allstate into a much-admired retailer in its own right. The insurance business still bears the hallmarks of its origins, with auto policies contributing about two thirds of premium income from the property/casualty business. About 15 per cent of the company's total premiums last year came from life insurance.)

Unlike its rivals, Allstate operates through a network of agents who sell only Allstate policies. These 15,000 agents, spread across North America, brought in $20.9bn of premiums last year.

For Allstate, like Prudential, another insurance group with a powerful salesforce, this is both a strength and a potential weakness. Allstate's agents are known for their success in selling additional policies to existing customers. However, a bigger move into the life and annuities businesses would pose questions about the skills of its traditional salesforce. Also, the biggest growth area of the auto insurance market is in direct sales.

Better margins lift The Gap to record

By Richard Tomkins in New York

New store openings and better profit margins at existing stores helped The Gap, the US casual-wear retailer, produce a 19 per cent increase in net profits to a record $93.6m in its third quarter to October.

Mr Donald Fisher, chairman and chief executive, said The Gap was especially pleased with its Banana Republic stores, which had turned in an "impressive" *performance for* the quarter.

Earnings per share rose to 64 *cents from 54 cents.*

At the end of the quarter, The Gap operated 877 Gap stores, 354 GapKids stores, 184 Banana Republic stores and 62 Old Navy or Gap Warehouse stores. The total of 1,477 represented an increase of 92 stores over the year-earlier figure.

The group's sales revenues rose by 10 per cent to $988.8m, but only because of the new store openings. Sales at stores that had been open for more than a year fell by 2 per cent.

The sales fall at existing stores, however, was offset by *a rise in margins stemming* from control over costs and a better merchandise mix, which *reduced the need for price* markdowns to clear goods.

Growth at Four Seasons

By Bernard Simon in Toronto

Four Seasons Hotels, the luxury chain in which Saudi Arabia's Prince Al-Waleed recently bought a minority stake, has benefited from a strong recovery in the international hotel business.

The Toronto-based company's third-quarter earnings climbed to C$3.2m (US$2.4m) or 12 cents a share, from C$898,000, or 2 cents, a year earlier. Revenues rose to C$409.1m from C$326.1m. Oper*ating earnings climbed* by 59 per cent to C$14.5m.

The yield at Four Seasons and Regent hotels, *defined as* occupancy multiplied by the realised room rate, rose by 17 per cent. Reservations climbed by 26 per cent in the first nine months of this year which, according to Four Seasons, points to further growth ahead.

Next year's performance should also be bolstered by new hotels which opened this year in Mexico City and Singapore, and a resort in Palm Beach. New properties are due to open over the next 12 months in Chiang Mai (Thailand), Jakarta and Istanbul.

Four Seasons expects its debt, now C$367m, to fall by one-third by end-1995, mainly *through asset disposals.*

MetroGas float to raise $130m

By David Pilling in Buenos Aires

The Argentine government expects to raise $130m-$160m through the sale of its remaining 20 per cent stake in MetroGas, the country's largest gas distributor.

The international issue of 93.5m class B shares, being underwritten by Credit Suisse First Boston and co-led by Dresdner Bank, Goldman Sachs and Kleinwort Benson, is in the process of bookbuilding and *is expected to be priced* at between $1.30 and $1.60 per share early next week.

Demand for the *issue* is said to be strong, as existing shareholders are expected to raise their stakes in the British Gas-operated utility. British Gas has a 41 per cent interest in MetroGas.

Japan's chemicals groups slip in first half

By William Dawkins in Tokyo

Chemicals

Japan's chemical industry continued to suffer from falling prices and weak demand in the first half of this year. However, its leading companies believe cost-cutting will help them lift earnings in the current half, an example of how lower margin manufacturing sectors will continue to be squeezed even as Japan moves into an economic recovery.

That was the message from yesterday's interim reports from three of the leading chemicals groups: Mitsubishi Kasei, Japan's leading general chemicals producer; Mitsubishi Petrochemical, the country's largest petrochemicals group; and Asahi Chemical, the leading maker of synthetic fibres.

The two Mitsubishi companies, which merged last month to form Mitsubishi Chemical in an attempt to pool costs and achieve economies of scale, both reported losses in the six months to September. Losses rose at the petrochemical company, while the general chemicals group swung into the red from a profit in the first half of last year.

Asahi only managed to raise its recurring profits – before extraordinary items and tax – by selling securities, a common technique used by Japanese companies to tide themselves through hard times.

Mitsubishi Chemical is sticking to its forecast of a combined Y10bn ($102m) recurring profit in the full year to March. That compares with a combined loss of Y6.18bn last year, composed of a Y2.21bn profit from Mitsubishi Kasei and a Y8.39bn recurring loss from Mitsubishi Petrochemical. The merged group forecasts sales of Y855bn in its first year, 16 per cent down on its partners' combined Y1,023bn in 1993.

The new group's petrochemical arm is hoping that it will be able to pass on a rise in oil prices to an increase in product prices in the current half.

Interim results to September 1994 (Ybn)

	Sales	Recurring profit*	Net profit
Mitsubishi Chemical			
1994	352.6	-4.782	-6.842
1993	345.0	2.273	3.563
Est for year	855.0	10.000	
Asahi Chemical			
1994	449.4	9.648	4.392
1993	458.4	8.771	5.240
Est for year	980.0	24.000	11.000
Nippon Chemical			
1994	14.8	-0.303	2.542
1993	14.6	-0.941	-1.369
Est for year	31.2	-0.070	8.390

* Before extraordinary items and tax. Source: company records

The bulk chemicals division is counting on a recovery in production, after having to reduce output during Japan's summer water shortage. Both expect to benefit from the cost savings achieved by reducing their combined number of divisions.

Asahi yesterday upgraded its sales forecast for the full year, by Y20bn to Y980bn, a 4.6 per cent rise on the 12 months to last March. It made a Y3.8bn capital gain on securities to achieve its recurring profit of Y9.65bn in the first half, a 10 per cent increase on the same period last year. But operating profits fell, by 5.8 per cent to Y9.8bn, on sales down by 1.5 per cent. Demand for textiles and synthetic resins was especially weak, said the company.

The smaller Nippon Chemical cut recurring profits to Y303m from Y941m a year ago.

Challenge Bank says it will bid for rival

By Nikki Tait in Sydney

Perth-based Challenge Bank, the Australian regional bank, said yesterday that it intended to make an offer for BankWest, a significantly larger, state-owned bank which the Western Australia government plans to privatise next year.

Challenge said it was confident its bid would be about A$100m (US$75.56m) more than the state government would receive from a public float of the company. However, Challenge made no mention of the specific offer it would make.

Challenge, whose desire to acquire BankWest has been widely known, said the combined strength of the two organisations in terms of market position, profitability and funding would maximise the prospect of BankWest remaining permanently domiciled in Western Australia.

"The merged entity can be funded, at the outset and over time, through a planned and systematic programme of accessing the domestic and international debt markets," it said.

Challenge Bank is estimated to have a 9 per cent share of the WA market, with a loan book around A$2bn. BankWest is larger, with 27.6 per cent of the market and a loan book of more than A$6bn. BankWest's gross assets are around A$12.5bn, while Challenge has A$5bn, according to its 1993-94 balance sheet.

BankWest said: "It [Challenge] has failed to spell out how it would implement a merger. In contrast, a straight float ensures that the full benefits of privatisation would go to the people of WA."

Meanwhile, the state government said it would not be pressured on the privatisation of BankWest.

Inco digs deep to squeeze costs

The nickel producer is celebrating rising prices, writes Bernard Simon

What a difference a year has made at Inco. Twelve months ago, the western world's biggest nickel producer was trimming its sails to cope with what looked like an unremitting market slump.

Inco produced 15,000 tonnes, or about 8 per cent, less nickel last year than in 1992. As the nickel price dipped to a low of US$1.80 a lb in September 1993, it cut output by another 18,000 tonnes and pared capital spending to the bone. Some feared the Toronto-based company, which supplies about a third of western nickel output, might buckle under its $1.1bn debt burden.

The mood was just the opposite at Inco's board meeting in the last week of October. The three-month nickel price had climbed to more than $3 a lb, hitting a peak of $3.45 last week. The directors were sufficiently confident of the outlook to approve a clutch of new projects at its Ontario and Manitoba mines.

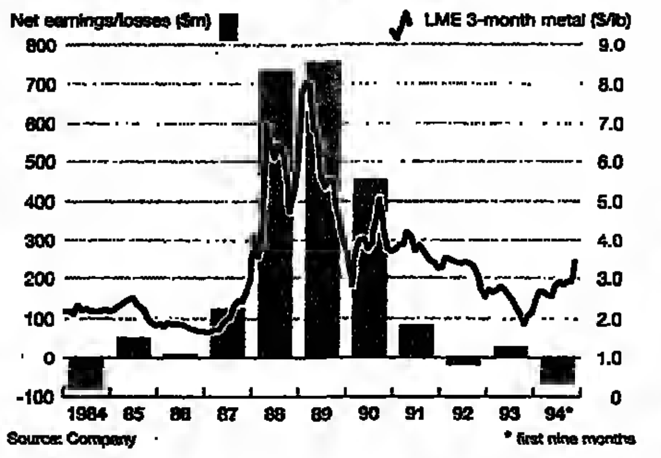
They include the $158m development of the McCreedy East deposit, near Sudbury, Ontario, which is expected to produce 22.5m lbs of nickel (equal to about 6 per cent of 1993 output) and 77.5m lbs of copper a year by 1999.

In addition Inco has just given the go-ahead for a drilling programme at what is believed to be a rich orebody, known as Pipe Deep, in Manitoba. It is also pressing ahead with development of another high-grade orebody, known as Victor, near its existing operations at Sudbury.

Plans have been unveiled to install a $13.6m ore-handling system as a prelude to deepening the Creighton mine at Sudbury.

"It's our intention to get every pound of nickel possible out of the ground," an Inco official says. Another "good news" announcement, on which the company declines to elaborate at this stage, is scheduled for early next week.

Inco rides high on nickel price



Source: Company. * first nine months

The turnround has begun to show in Inco's earnings. Primary metal operations have swung from a $19m loss in the third quarter of 1993 to a $39m profit this year, in spite of an accident at a Manitoba mine which cut third-quarter output by 3,600 tonnes.

The median forecast of a group of 13 North American analysts suggests that Inco will recover from a loss of about 40 cents a share this year to earnings of $1.50 a share in 1995. Those looking further ahead bravely predict earnings will climb to about $2.25 in 1996.

Mr Peter Marcus, analyst at PaineWebber in New York, is increasingly confident that his "good case" scenario of an average 1995 nickel price of $5 a lb will be realised.

Much of the renewed optimism rests on unexpectedly buoyant demand from stainless steel makers, who make up about 60 per cent of western nickel consumption. Inco has raised its forecast of 1994 stainless steel production by 5 per cent to 12.6m tonnes.

As a result, its estimate of nickel demand has climbed by 18,000 tonnes to 711,000 tonnes.

Inco predicts a similar rise in western supplies during 1995, reflecting the return of mothballed mines to the market, and new capacity in western Australia and Indonesia.

This would bring the market roughly into balance. Mr Fraser Phillips, analyst at ScotiaMcLeod in Toronto, predicts that while a price correction could occur over the next six months, inventories should start dropping in late 1995 and prices should then improve sharply.

The company says that it intends to get every pound of nickel possible out of the ground

This optimistic view of nickel's prospects hinges on stagnant, or falling, Russian exports. Uncontrolled shipments from Russia and eastern Europe have been one of the most disruptive forces in the nickel market in recent years.

Ms Stephanie Anderson, Inco director of market research, said in a recent paper that Russian deliveries to the west would be "the swing factor that dictates the direction nickel prices take in the future".

Supplies from former communist countries are expected to be about 126,000 tonnes this year, or 18 per cent of worldwide nickel supplies.

According to Ms Anderson, Norilsk, the main Russian producer, cannot sustain its output without investment and regular maintenance to mine and plant equipment. "Based on a lack of capital spending alone, not to mention the social and political problems, production at Norilsk could well fall," she said.

But she also acknowledged that "it is almost impossible to quantify what is really happening to [the Russian] industry".

No matter what happens, Inco hopes to benefit from its drive over the past three years to cut costs, especially at its Canadian operations. According to Mr Marcus, break-even costs may be down to $2.25 a lb within the next few years. Unit costs in the early 1990s were around $2.45 a lb.

The nickel market has become increasingly volatile as banks and investment funds have emerged as important forces. The daily open interest on the London Metal Exchange – that is, the number of contracts which have not been closed off by metal deliveries – has soared from 48,000 tonnes in 1990 to around 340,000 tonnes. Trading volumes have surged fivefold to 70,000 tonnes a day.

Mr Marcus at PaineWebber estimates Inco's earnings a share rise or fall by $2 for each $1 movement in nickel prices.

For the time being, volatile markets are working to the advantage of producers. But Inco's ability to weather future downturns is likely to hang on its success in maintaining the costs squeeze, even as it celebrates rising metal prices.

NEWS DIGEST

Rhône-Poulenc and Akzo Nobel call off talks

Akzo Nobel, the Dutch chemicals group, and France's Rhône-Poulenc said yesterday they were suspending talks on creating a joint venture for the production of soda ash because they could not agree on the ownership of the new company, writes Ronald van de Krol in Amsterdam.

As part of plans unveiled in late May, Rhône-Poulenc, the world's third-largest soda ash producer, was to have held 67 per cent of the joint venture, with Akzo Nobel owning the rest.

In later negotiations, both sides wanted a larger stake, and the gap between the two could not be bridged. However, Akzo Nobel and Rhône-Poulenc held out the possibility yesterday that talks might be resumed later because the industrial logic between the partnership in soda ash remained intact.

The planned joint venture, originally scheduled to get under way in January, was to have had annual turnover equivalent to Fl 300m ($175m) and a workforce of more than 600.

Rhône-Poulenc was planning to contribute its plant in Nancy, France, while Akzo Nobel was prepared to transfer ownership of its production site in Delfzijl, in the Netherlands.

Anti-cholesterol drug sales lift Sankyo

Sankyo, a leading Japanese pharmaceuticals company, posted a firm rise in earnings due to strong sales of its anti-cholesterol drug Mevalotin, writes Emiko Terazono in Tokyo.

The company posted an 8.4 per cent rise in recurring profits – before extraordinary items and tax – to Y43bn ($439m) in spite of a 2 per cent decline in sales to Y202.2bn.

The fall in sales was brought about by cuts in official drug prices by the ministry of health and welfare, and the transfer of sales rights of Zaditen, an asthma drug, to the Japanese arm of Sandoz, the Swiss pharmaceutical group.

The company posted a 5.6 per cent rise in operating profits to Y42.3bn and an 11.2 per cent increase in after-tax profits to Y19.2bn. Sales of its drug division fell 1.9 per cent to Y180.7bn although Mevalotin and Loxonine, an analgesic drug developed by Sankyo, saw sales increases. Revenue from agro-chemicals sales fell 0.6 per cent to Y12bn.

For the full year to March, the company expects current profits to rise 3.4 per cent to Y83bn while sales are expected to remain flat at Y396bn.

First-quarter surge for Wesfarmers

Wesfarmers, the Australian fertiliser, chemicals and coal group, yesterday said it was budgeting for an improved profit after tax and before abnormal items for the year to June 30 1995, after posting a 70.9 per cent rise in first-quarter net profit, Reuter reports from Perth.

The company reported a net profit of A$31.40m (US$23.72m) for the three months to September 30, compared with A$18.38m in the 1993-94 first quarter. Results were boosted by abnormal profits of A$12.92m on the sale of investments. Sales rose to A$530.15m in the quarter, from A$443.37m a year earlier.

Wesfarmers reported a net profit after tax and before abnormal items of A$127.02m for the 1993-94 year.

Highlands Gold shares worth A$38m sold

Stockbroker County NatWest said it had completed transactions totalling 28m shares, or 5 per cent, in Papua New Guinea gold miner Highlands Gold at A$1.38 a share, Reuter reports from Sydney. The broker would not, however, disclose the buyer or the seller of the Highlands shares, which were worth A$38.64m (US$29.2m).

MIM Holdings, the Queensland-based metals group which owns 65 per cent of Highlands, said it was not behind the transaction. MIM has sold most of its equity investments over the past 12 months as part of a strategy of putting all assets under review.

Highlands shares closed 3 cents lower at A$1.45, on a turnover of 29.03m, on the Australian Stock Exchange.

SIA moves ticket data unit to China

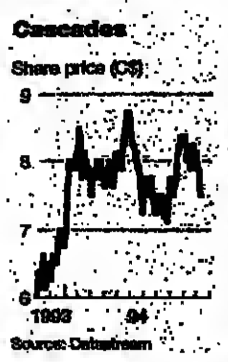
Singapore Airlines (SIA) is to move part of its accounting operation to China to cut costs and circumvent labour shortages in Singapore. SIA said the state owned accounting centre of China aviation would process SIA ticket data, writes Kieran Cooke in Kuala Lumpur.

"Given the shortage of labour in Singapore, this will lessen the problem of recruitment and also result in cost savings for SIA," the airline said. SIA is in the process of moving other back room operations to India and other low-cost centres. It has also taken a stake in an aircraft maintenance facility being built in China.

SIA is concerned that growing labour and associated costs at home plus the continuing strength of the Singapore dollar are threatening the airline's competitiveness. Last month SIA reported a 20 per cent rise in group operating profits of S$478m ($322m) for the half year to September.

Cascades back in profit at nine months

Cascades



Source: Datastream

Cascades, the Canadian-based international packaging group returned to profitability at the nine-month stage with strengthening markets and completion of a restructuring of its Cascades Paperboard business in North America and Europe, writes Robert Gibbens in Montreal. Net profit was C$15m (US$11.08m), or 17 cents a share, against a net loss of C$4.3m, or 17 cents, a year earlier on sales of C$1.2bn, down slightly because of the sale of Paperboard assets and shutdown of the Duffel mill in Belgium.

Third-quarter profit was C$7.3m, or 10 cents, against a loss of C$3.2m, or 9 cents, on sales of C$422m against C$400m.

Cascades has delayed making a provision for a C$26.8m fine levied against its French subsidiary after a European Commission probe of alleged boxboard industry price-fixing. Cascades has appealed and said it believed the fine would be reduced.

EDS buys New Zealand state computer group

EDS, the US computer services subsidiary of General Motors, has paid NZ$47m (US$29.26m), 22 per cent over book value, for GCS, the New Zealand state-owned computer group which handles record keeping for police, health, revenue and other government departments, writes Terry Hall in Wellington.

This is the second large purchase by EDS in New Zealand in less than six months. The company, founded by one-time US presidential candidate Mr Ross Perot, paid an estimated NZ$100m in May for Databank, a company that handles cheque clearing and related transactions for the country's banks.

GCS, previously known as Government Computer Services, was set up in the late 1960s, and was the biggest locally owned computer company. GCS made a tax-paid profit of NZ$1.5m in the six months to September 30. It has earned NZ$52m in profits over the past five years.

Indonesian plans HK newspaper stake

By Simon Holberton in Hong Kong

Indonesian tycoon Mr Oei Hong-leong has emerged as an investor in Ming Pao, the prestige Hong Kong daily newspaper whose chairman was forced to resign last month amid revelations concerning a past criminal conviction.

Mr Oei's China Strategic Holdings will buy a 10 per cent stake in Ming Pao from CIM, the newspaper's controlling shareholder, in a deal valued at about HK$200m (US$25.87m).

Mr Yu Pun-hoi, Ming Pao former chairman and chairman of CIM, said CIM had no interest in disposing of its controlling interest in Ming Pao. A 10 per cent stake would be disposed of in two tranches of 18m shares each over the coming three months and would leave CIM still owning 50 per cent of the company.

Since Mr Yu's resignation last month, in response to the censure by the Hong Kong Stock Exchange over his failure to declare a 1979 criminal conviction, the Hong Kong market has been awash with rumour and speculation about CIM's continued ownership of Ming Pao.

Mr Robert Kuok, the Malaysian financier, and Mr Jimmy Lai, the publisher of Next magazine, were rumoured to have been interested in acquiring an interest in Ming Pao. In the end it was Mr Oei – whose family controls Sinar Mas, Indonesia's second largest business empire – who emerged in the lead.

In addition to his private interest in Indonesia, Mr Oei is a big investor in property in Singapore, where he has made his home. In Hong Kong, he is chairman of China Strategic which is his family's vehicle for investment in China.

The company has many joint ventures in China but most of its profits come from three areas of activity: it is China's biggest tyre manufacturer, it produces about 10 per cent of the country's output of paper, and it owns five breweries.

A year ago Mr Oei joined a consortium of Asian businessmen who paid US$10m for a 70 per cent interest in Myanmar International Airways – the flag carrier of Myanmar (formerly Burma).

Bank completes HK$2.5bn issue

Standard Chartered Bank, the operating bank of UK multinational banking group Standard Chartered, said yesterday that it had completed a HK$2.5bn (US$32.5m) issue of floating rate certificates of deposit aimed at lowering the cost of funding its assets in Asia, writes Simon Holberton.

The bank said it had nearly doubled the issue in response to market demand.

The FRCDs will pay an annual rate of interest equivalent to 35 basis points above the three-month Hong Kong interbank offered rate.

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INTERNATIONAL CAPITAL MARKETS

US Treasuries encouraged by inflation figures

By Conner Middelmann in London and Lisa Bransten in New York

US Tressury prices rose sharply yesterday morning after government figures on producer prices indicated a possible slowdown in inflationary preseures where economists had predicted an increase.

By midday, the benchmark 30-year government bond was up 1/16 at 93 29/32, yielding 8.052 per cent. At the short end of the market, the two-year note was up 1/32 at 99 27/32, to yield 6.977 per cent.

Sparking the price gains was a labour department report that showed producer prices down 0.5 per cent for October, the same as in September. Most analysts had predicted that October prices would increase 0.1 per cent.

"I think it is very good as far as inflation is concerned, but it is not the end of the story," said Ms Marilyn Schaja, a money market economist at brokerage Donaldson, Lufkin & Jenrette. In spite of the figures, she maintained her opinion that the Federal Reserve was likely to raise its interest rate target by 50 basis points next week at its open market committee meeting. However, she said the inflation news lowered the chance that the Fed would move to raise rates by as much as 100 points.

GOVERNMENT BONDS

A strong showing by the dollar added to positive sentiment in the bond markets. In early trading, the dollar pushed up to Y98.06 against the Japanese yen and DM1.536 against the D-Mark.

Europe's bond markets once again took their cues from Treasuries, and most of them posted moderate gains on the back of the US bond market's rise. Howevsr, turnover remained thin as market participants remained reluctant to increase their exposure ahead of Tuesday's FOMC meeting.

■ German bonds rose about ¼ point in moderate volume in largely technical dealings. The December bund futures contract on DTB ended at 90.31, 0.33 point on the day, but drifted lower in after-hours trading on Liffe.

As expected, the Bundesbank's central bank council left official interest rstes unchanged at yesterday's meeting and set another two rounds of securities repurchase agreements at a fixed rate of 4.85 per cent.

■ UK gilts had a lacklustre session, closing slightly lower as the Bank of England's tap issues kept a lid on prices. The December long gilt future closed around 101 19/32, down ⅛ point.

A £250m tranche of 8½ per cent gilt due 2005, one of four tap stocks announced on Friday, was exhausted in the afternoon, the Bank said. A £100m tranche of 2½ per cent index-linked bonds due 2009 was exhausted on Wednesday. The others, a £100m tranche of 2½ per cent index-linked stock due 2024 and a £250m tranche of 8¾ per cent stock due 2017 have not been sold out.

■ French bonds underperformed bunds, with their yield premium widening to 75 basis points from 69 on Wednesday. In addition to position-squaring ahead of today's national holiday, the weak franc weighed on bonds, dealers said.

Although the market is likely to come under further pressure amid uncertainty over the May presidential elections, Mr Adrian James, bond market strategist at NatWest Markets recommends buying French bonds on weakness. However, "you've got to be prepared to take a six-month view to see value in the French market," he warned.

■ Swedish bonds had another strong day, lifted by a poll indicating that the supporters of European Union membership might hold a majority after all. The yield on the benchmark 11-year bond fell 23 basis points to 11.20 per cent.

With a large pool of voters still allegedly undecided, the outcome of Sunday's referendum remains unclear.

The markets still appear to be slightly biased towards a "yes" and are likely to experience only a brief rally should it materialise.

However, a "no" could put heavy pressure on Sweden's currency and bonds.

Traders said Sweden's yield spread over bunds could return to this year's high of around 500 basis points, from 376 at present.

Russian chocolate maker raises $30m

By Richard Lapper

International investors are to be offered the opportunity to invest directly in Krasny Oktyabr (Red October), the profitable Russian chocolate maker.

A public offer scheduled to take place later this month in three Russian cities was open to local investors and foreigners, said Mr Richard Oliver, associate director with Samuel Montagu, one of the western firms involved.

The project, sponsored by the British government's Know How fund and the Russian Securities and Exchange Commission, aims to raise up to $30m through the offer to be launched in Moscow, St Petersburg and Ekaterinburg. About 55 per cent of the company's shares are being sold priced at Rbs20,000 each.

About 20 per cent of the shares are to be set aside for strategic investors, such as western companies with an interest in the foods sector. But the issue will be targeted at a wide range of investors, but we want to get "retail investors involved," said Mr Oliver.

A number of specialist Russian funds, formed over the past 18 months, are expected to take some of the equity. These have been the most popular means of investing although earlier this month international trading began in the shares of RSNG, the large oil and gas construction company, following the successful placement of about $25m of paper with international investors.

Mr Oliver said Krasny's smaller and well-defined business was much easier to value than the large energy- and oil-related concerns interesting western investors.

Borrowers continue issuance with short maturities

By Martin Brice

The euromarkets saw a small number of issues yesterdsy, mainly with a short maturity and targeted at retail investors, although some syndicate managers reported large purchases by institutions.

Issuance is expected to decline until after the Federal Open Market Committee meeting on Tuesday. Syndicate managers suggested the Republic of Italy might wait to see the impact of the FOMC meeting on US interest rates before issuing its long-awaited Y400bn bond, which could come in three tranches; a three-year, a 20-year, and a tranche of between six and 10 years.

In the US dollar sector, the largest deal yesterday was the Republic of Austria, which brought a $200m bond via Lehman Brothers, which said the strong name had stimulated very strong European retail demand. "I've had syndicate managers coming out of the woodwork trying to get into this deal," said a Lehman official.

Norddeutsche Landesbank brought a $150m bond via Paribas Capital Markets, which said the offering had been greeted with solid demand in Switzerland and Belgium, as well as Germany and south-east Asia. Some UK institutions had bought the bonds, which were given a 13-month first coupon to help the borrower effect a swap.

INTERNATIONAL BONDS

The first Argentine corporate borrower since the Republic of Argentina brought its $500m global deal last month braved the euromarkets yesterday. Yesterday's bond came from Astra Compania Argentina de Petrolio, the Argentine oil and gas group which has been listed on the stock market in Switzerland for 70 years, via Swiss Bank Corporation which reported strong demand, some of it from US institutions. The bonds came at 412 basis points over US Treasuries. The Republic's bonds were brought to market at a spread of around 350 basis points over US Treasury bonds, and by yesterday had widened out to around 366 basis points over.

Banco Nacional, the Brazilian bank, brought an $80m bond via Citibank which targeted the offering at retail Swiss, US, Latin American and Asian investors. The deal had been talked about as a $75m bond but was increased to $80m. When freed to trade, the bonds tightened by one basis point.

Two issuers each brought £100m sterling deals. Portman Building Society, the UK's 14th largest, via BZW which said the deal offered an alternative to expensive paper in the secondary market.

Landesbank Schleswig-Holstein brought a £100m bond through HSBC Markets, which reported strong demand with blocks of £5m and £7m being sold to institutions attracted by the highly-rated name.

In the Australian dollar sector, ABN Amro Australia brought a A$100m bond through ABN Amro, which reported strong demand with one block of A$25m going to a buyer in the Netherlands. The Council of Europe issued a A$100m bond through BZW.

Syndicates are expecting the first convertible bond to emerge from Brazil this month. It is expected to be a $100m issue with a 10-year maturity from a highly-rated company.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Republic of Austria(a)	200	7.25	100R	Jan.1997	0.125R	+8 (6⅞%-96)	Lehman Bros. Intl.
Norddeutsche Landesbank	150	7.25	99.79R	Dec.1996	0.175R	+20 (6⅞%-96)	Paribas Capital Mkts.
Astra Argentina de Petrolio	100	11.825‡	99.625R	Dec.1999	0.875R	+412(7½%-99)	SBC
Rabobank Nederland◊	100	4.00	100R	Dec.1997	0.188R	-	Morgan Stanley Intl.
Banco Nacional	80	11.0‡	99.512R	Nov.1997	-	+365(7¾%-97)	Citibank Intl.
STERLING							
LB Schleswig-Holstein	100	8.0	99.737R	Dec.1996	0.15R	+25 (10%-96)	HSBC Markets
Portman B/S(b)‡	100	(b)	99.85R	Dec.1997	0.125R	-	BZW
CANADIAN DOLLARS							
Bk. Nederlandse Gemeenten	150	8.0	100.176R	Dec.1996	0.125R	+10 (7¾%-96)	ScotiaMcleod
AUSTRALIAN DOLLARS							
ABN Amro Australia	100	10.125	101.41	Dec.1997	1.50	+15 (c)	ABN Amro
Council of Europe	100	9.825	101.06	Dec.1996	1.25	-	BZW
SWISS FRANCS							
European Investment Bk.	200	5.625	102.75	Dec.2002	-	-	SBC Zurich
City of Vienna	200	5.375	102.35	Dec.1997	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. #Unlisted. §Convertible. ◊With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Long first coupon. b) Coupon pays 3 month Libor + 12.5bp. Callable in Dec 1996 at par. c) Over interpolated yield.

IFC guarantees Russian facility for first time

By Richard Lapper

The International Finance Corporation yesterdey approved a guarantee of up to $10m for the Russian Trade Enhancement Facility, a new facility that will partially guarantee the credit risk of Russian banks engaged in trade finance.

The facility, the first of its type to be supported by the International Finance Corporation is expected to guarantee up to $2.4bn of Russian trade.

ABN AMRO, the Dutch bank, is co-guaranteeing the facility and will match, dollar for dollar, the corporation's exposure on each transaction.

FT-Actuaries Fixed Interest Indices

The FT-Actuaries Fixed Interest Indices Committee has decided to cease the calculation and publication of the Debenture and Unsecured Loan Stock Index from December 31 1994. The main reason for this decision is that changes in the structure of the market have reduced the number of liquid stocks with an adequate range of maturity dates. The committee feels as a result that the integrity of the Debenture and Unsecured Loan Stock Index can no longer be guaranteed.

Investors in debenture and unsecured loan stocks will find a variety of indices of this sector of the market calculated by leading market makers.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.000	09/04	90.4000	+0.620	10.59	10.67	10.30
Belgium		7.750	10/04	96.4400	+0.190	8.29	8.56	8.31
Canada *		8.500	06/04	83.5500	+0.200	9.12	9.19	8.92
Denmark		7.000	12/04	87.6000	+0.350	8.91	9.04	8.82
France	BTAN	8.000	05/98	101.8750	+0.500	7.47	7.84	7.48
	OAT	5.500	04/04	83.0100	+0.230	8.14	8.35	7.95
Germany Treu		7.500	09/04	100.1800	+0.320	7.47	7.64	7.43
Italy		8.500	08/04	82.2400	+0.450	11.59†	11.80	11.64
Japan	No 119	4.800	06/99	102.7740	+0.040	4.09	4.06	4.19
Japan	No 164	4.100	12/03	95.8680	+0.160	4.75	4.68	4.79
Netherlands		7.250	10/04	98.2000	+0.280	7.51	7.66	7.38
Spain		8.000	05/04	81.6500	+0.830	11.21	11.30	10.86
UK Gilts		8.000	08/99	90-11	-	8.50	8.57	8.38
		6.750	11/04	87-17	-2/32	8.63	8.69	8.53
		9.000	10/08	103-08	-2/32	8.60	8.65	8.52
US Treasury *		7.250	08/04	95-18	+8/32	7.91	7.96	7.59
		7.500	11/24	93-24	+11/32	8.06	8.10	7.81
ECU (French Govt)		8.000	04/04	83.9400	+0.270	8.54	8.71	8.43

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	5.76	Two year	6.98
Prime rate	7¾	Two month	5.45	Three year	7.32
Broker loan rate	6½	Three month	5.34	Five year	7.61
Fed.funds	4 13/16	Six month	5.84	10-year	7.88
Fed.funds at intervention	-	One year	6.31	30-year	8.05

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.64	111.14	+0.36	111.18	110.56	167,337	132,315
Mar	109.86	110.32	+0.38	110.26	109.78	5,548	12,696
Jun	109.02	109.48	+0.38	109.44	109.02	106	3,080

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Nov	PUTS Dec	PUTS Mar
110	1.34	1.86	-	0.21	1.51	-
111	0.68	1.35	-	0.54	-	-
112	0.24	0.90	-	1.18	2.56	-
113	0.06	0.60	-	1.98	-	-
114	0.03	0.37	-	-	-	-

Est. vol. total, Calls 41,956 Puts 30,428. Previous day's open int., Calls 304,159 Puts 281,806.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.83	90.37	+0.36	90.53	89.81	165040	189568
Mar	88.97	89.41	+0.40	89.55	88.92	4989	23468

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9000	0.77	0.86	0.90	1.06	0.40	1.24	1.49	1.65
9050	0.50	0.47	0.70	0.85	0.63	1.56	1.79	1.95
9100	0.31	0.33	0.54	0.68	0.94	1.92	2.13	2.27

Est. vol. total, Calls 29801 Puts 16950. Previous day's open int., Calls 287721 Puts 229600

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.05	101.44	+0.27	101.58	100.90	38148	52686
Mar	100.00	100.28	+0.27	100.30	99.90	300	8137

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10100	0.94	1.98	0.50	2.88
10150	0.65	1.75	0.71	2.87
10200	0.43	1.55	0.99	3.27

Est. vol. total, Calls 2508 Puts 1378. Previous day's open int., Calls 25508 Puts 31918

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.70	87.01	+0.82	87.11	86.56	51,896	79,390
Mar	85.89	86.20	+0.41	85.88	85.69	702	1,374

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101-14	101-18	-0-01	101-28	101-10	69686	103368
Mar	100-21	100-24	-0-01	101-00	100-19	585	1106

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
101	1-04	1-60	0-32	2-12
102	0-33	1-32	0-61	2-48
103	0-14	1-07	1-42	3-23

Est. vol. total, Calls 4616 Puts 1549. Previous day's open int., Calls 79391 Puts 46734

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.70	80.98	+0.26	81.06	80.60	2,029	6,583

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	97-05	97-21	+0-15	97-22	96-26	461,725	385,940
Mar	96-10	97-01	+0-15	97-01	96-06	10,109	43,289
Jun	95-22	96-13	-	96-14	95-22	329	11,708

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.57	-	-	107.69	107.57	1653	0
Mar	106.85	-	-	106.98	106.85	762	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thur Nov 10	Day's change %	Wed Nov 9	Accrued interest	xd adj. ytd		Low coupon yield Nov 10	Nov 9	Yr. ago	Medium coupon yield Nov 10	Nov 9	Yr. ago	High coupon yield Nov 10	Nov 9	Yr. ago
1 Up to 5 years (24)	119.62	+0.05	119.56	1.68	9.83	5 yrs	8.54	8.57	6.11	8.60	8.61	7.07	8.75	8.77	7.16
2 5-15 years (23)	139.10	+0.10	138.98	1.54	11.49	15 yrs	8.51	8.51	6.38	8.63	8.64	7.19	8.87	8.88	7.24
3 Over 15 years (8)	155.89	+0.05	155.82	2.44	10.87	20 yrs	8.47	8.48	8.49	8.63	8.64	7.39	8.78	8.79	7.40
4 Irredeemables (6)	175.85	+0.52	174.94	0.42	13.47	Irred.†	8.53	8.57	7.26						
5 All stocks (61)	136.51	+0.08	136.41	1.74	10.93										

Index-linked							Inflation 5% Nov 10	Nov 9	Yr. ago	Inflation 10% Nov 10	Nov 9	Yr. ago
6 Up to 5 years (2)	185.95	+0.03	185.89	0.54	5.07	Up to 5 yrs	4.08	4.08	2.39	2.96	2.96	1.60
7 Over 5 years (11)	173.62	+0.06	173.51	0.98	4.36	Over 5 yrs	3.87	3.87	3.19	3.69	3.69	3.02
8 All stocks (13)	174.02	+0.06	173.82	0.94	4.41							

Debentures and Loans						5 year yield Nov 10	Nov 9	Yr. ago	15 year yield Nov 10	Nov 9	Yr. ago	25 year yield Nov 10	Nov 9	Yr. ago
9 Debs & Loans (77)	127.99	+0.20	127.74	2.43	9.57	9.63	9.66	7.33	8.59	8.61	8.15	9.55	9.57	8.29

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 10	Nov 9	Nov 8	Nov 7	Nov 4	Yr ago	High*	Low*
Govt. Secs. (UK)	91.45	91.39	90.89	91.04	91.69	102.62	107.04	89.54
Fixed Interest	107.94	107.89	107.59	108.01	107.84	123.32	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 9	Nov 8	Nov 7	Nov 4	Nov 3
Gilt Edged bargains	84.0	80.4	79.8	86.2	76.3
5-day average	81.3	82.0	81.8	81.7	79.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 10

[illegible]

UK GILTS PRICES

[illegible]

COMPANY NEWS: UK

Attwoods ready to put itself up for sale

By Peggy Hollinger

Attwoods, ths UK waste services group, is today expected to promise shareholders it will put itself up for sale if investors reject the hostile £364m cash bid from Browning-Ferris Industries of the US.

The company is likely to present shareholders with a series of alternatives to the BFI bid, which it believes will give investors more value than the bostile 109p offer. The options are thought to range from asset disposals to a promise to put Attwoods on the block if the bid fails.

"We have got to put forward concrete proposals," said a company adviser. "Investors have to believe we will deliver thet value."

Today is the last day under the UK takeover code that Attwoods can publish any new financial information. Yesterday, the company geared up for its final defence with a widely expected document showing an improvement in the first quarter.

Operating profits rose by 8 per cent to $15.4m, on sales 10 per cent higher st $151.3m for the three months to October 31. In sterling terms, operating profits were 2 per cent higher at £9.8m, on sales 5 per cent ahead to £96.7m. "The profit estimate supports our recent comments on the outlook for 1995 as a whole," Attwoods said.

Attwoods also published an independent valnation of its UK property assets, which it said "demonstrated the inadequacy of BFI's offer". Chartered surveyors Grimley JR Eve revalued the UK assets upwards by £33m to £130.6m. "BFI's bid takes no account of the underlying value of the UK assets," Attwoods said. On both earnings and sales multiples, BFI's offer undervalued Attwoods, the company said.

BFI attacked the profits figures as "dismal". "The operating profit increase is less than we were anticipating," said Mr Philip Angell of BFI. "We had expected something closer to double digit growth."

Furthermore, operating margins had fallen and Attwoods had underperformed in the first quarter compared with other waste companies which showed on sverage 54 per cent growth. "Attwoods shareholders should not take any comfort from these numbers," said Mr Angell.

The bidder said it would send shareholders a more detailed response following Attwoods' final document tomorrow. BFI has until November 18 to increase its offer.

Attwoods is being advised by Robert Fleming, SG Warburg, and Smitb Barney. CS First Boston are BFI's advisers.

BSkyB to publish pathfinder on Monday

By Raymond Snoddy

British Sky Broadcasting, the satellite television venture is pushing ahead with a December flotation in Londoo and New York, expected to valoe the company at betweeo £4bn and £4.5bn.

The offer of some 20 per ceot of the enlarged share capital will be launched with a pathfinder prospectus oo Monday.

The value of the offer is in the middle of expectations. Some estimates put a potential valuation of more than £5bn on the company, formed out of a merger between Sky Televisioo and British Satellite Broadcasting.

The closing of the offer is expected in the week beginning December 5, whicb means the float will come abont a week after shares of TeleWest, the UK's largest cable operator, start to trade in both London and on the Nasdaq market in New York.

The main shareholders in BSkyB are Mr Rupert Murdoch's News Corporation, Pearson, the media group that owns the Financial Times, Granada, the television and leisure group, and Chargeurs, the French industrial company.

In addition to the institutional offer, 12 firms were named yesterday as providing share shops for the retail offer of shares.

As BSkyB moves towards flotation, designed mainly to reduce debt, the satellite company is believed to be signing up new subscribers through both cable oetworks and direct to the bome at the rate of about 60,000 a mooth.

BSkyB is also thought to be on the verge of signing a deal with SES of Luxembourg. SES operates the Astra satellite system for five more 24-hour channels, which will be used to provide further services. One part of the extra capacity will enable experimentation with pay-per-view services, particularly for recent films.

The London listing is being co-sponsored by Goldman Sachs and Lazard Brothers.

Higher than average dividend increase of 16% surprises City

Northumbrian Water doubles

By Peggy Hollinger

Northumbrian Water Group yesterday took the lead in the industry's divideod bonanza with a record 16 per cent increase from 8.1p to 9.4p for the six months to September 30 – its first pay-out since the price review.

Northbumbrian, smallest of the orivstised wster and sewerage companies, also indicated tbat resl divideod growth would be higher than expected over the next five years as it sought to wind down exceptionally high dividend cover.

The announcemeot follows better than expected pay-onts from Thames and Anglian, which increased dividends by 11 and 10 per cent.

Mr David Cranston, chief executive, said Northumbrian intended to bring its cover down from sbout 4 times to 2.5 by the end of the decade. This would happen within a pricing regime which was "tough, but achievable", be said.

He sought to fend off potential criticism by saying the increase represented on average about 15p per customer, or £400,000 in total. This compared with the £1m which Northumbrian expected to contribote this year to a new regional fund it had set up to encourage economic regeneration in the area.

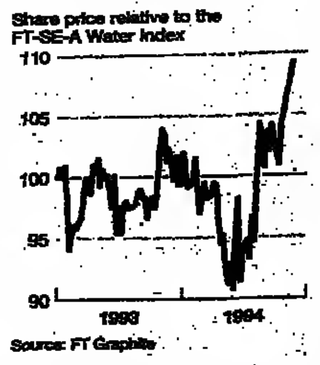
Analysts, however, described the action as maverick. The company had been expected to offer a higher than average increase, but 16 per cent was unprecedented, said one.

Pre-tax profits for the first half more than doubled from £22.6m to £46.1m on sales 5.4 per cent ahead at £155.7m (£144.7m). Earnings rose from 30.3p to 59.1p.

The sharp profits increase was largely due to the absence of £8.9m in exceptional charges for the closure of a pipe maintenance business and s £2.2m loss on discontinned operetions. At the operating level profits rose by 43 per cent from £41m to £55.5m, including £1.5m from acquisitions.

Northumbrian Water

Share price relative to the FT-SE-A Water Index



Source: FT Graphite

In the regulated water and sewerage business, operating margins rose from 38 to 47 per cent. This was largely due to a 4 per cent reduction in operating costs.

The non-regulated environmental ssrvices business increased losses to £1.5m (£900,000). However, Northumbrian expected the business to return to profit in the second half.

● COMMENT

Labour's call for a higher tax rate for utilities put a dampener on water shares yesterday. Yet Northumbrian's bold move should reinforce the view that other water companies are likely to rethink dividend policies. The most obvious candidates for higher increases are Southern, Severn Trent and Welsh, although none of them is likely to come near Northumbrian's figure. Meanwhile, the company's immediate prospects are encouraging. It should beat efficiency targets, which have been set by the regulator, and is also expected to increase the final dividend by 16 per cent. However, a higher tax charge might mean a more modest increase next year. Forecasts are for about £83m this year, before exceptionals. With the shares rising 18p to 712p the prospective p/e of 8 and its dividend prospects make Northumbrian stand out, although the water sector labours under substantial political risk.

ScottishPower signs joint National Grid deal

By Michael Smith

ScottishPower said yesterday that together with Scottisb Hydro-Electric it had signed an agreement with the National Grid to increase the capacity of the England-Scotland interconnector by more than a third.

Mr Ian Preston, chief executive, said the interconnector increase from 1,600MW to 2,200MW would mean that the company could export "well over 30 per cent" of the electricity it produced from 1997, when the improved facility is operating fully.

The announcement accompanied a 6 per cent rise in interim pre-tax profits to £122.9m.

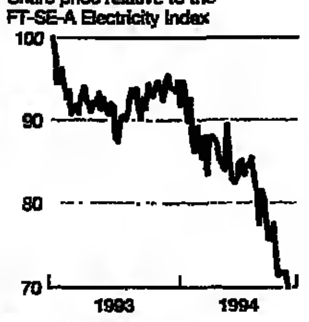
The interim dividend is raised 10.2 per cent to 4.55p, payable from earnings per share in the six months to September 30 of 11.01p, a 2 per cent improvement.

Earnings were depressed by an increase in the tax charge from 24 to 27 per cent. This compares with 26 per cent for the whole of last year. Turnover rose 9.6 per cent to £733m.

Mr Preston said there were no plans to implement a share buy-back programme. "We are not short of good opportunities to invest funds and enhance shareholder value," be said, citing the company's telecommunications, retailing and gas interests as examples.

Scottish Power

Share price relative to the FT-SE-A Electricity Index



Source: FT Graphite

Asked if the company was considering takeovers or mergers with regional power companies in England and Wales Mr Preston said: "We have ruled nothing out".

A reduction of 300 in core staff levels to 5,500 held employee costs at £75m (£74m).

Retailing profits fell from £2.2m to £1.8m following the acquisition of 50 Clydesdale stores which it has been refurbishing. The company said the stores were back in service and exceeding expectations. It expects to better last year's retail profits of £7.4m.

Debt amounted to £18m, with gearing of 1.8 per cent. Mr Ian Russell, finance director, said he expected gearing to be close to double figures by the year-end.

● COMMENT

ScottishPower's problem is that, like Scottish Hydro-Electric, it is more tightly regulated than companies south of the border and its ability to outshine them in profit or dividend growth is constrained. It is seeking to distinguish itself by building shareholder value, rather than distributing it through share buybacks and one-off dividends. Laudable though diversification into "utility-related" business may be, it has yet to prove itself: annual retailing profits will be closely scrutinised. ScottishPower's advantages inclnde the expanded interconnector, which could have a significant effect on profits, and the fact that it has less to fear from a Labour government penalising over-profitable ntilities. The shares are trading on a prospective yield of 4.8 per cent, assuming a full-year dividend of 13.65p, and are fairly rated.

Leeds Permanent rises to £246m

By Alison Smith

A fall of almost £50m in provisions for bad and doubtful debts helped Leeds Permanent Building Society, the UK's fifth largest, report a 32 per cent increase in pre-tax profit for the year to the end of September, taking it from £186.2m to £245.8m.

The drop in provisions – from £131.1m to £82.2m – also assisted Leeds Permanent's net interest income, which rose to £458.4m (£425.8m), through a reduced charge for irrecoverable interest.

Non-interest income was flat at £104.6m (£104.2m), although a further £9.1m was set aside as statutory reserves for the life insurance subsidiary which became operational in July.

Mr Malcolm Barr, chairman, said the society – which has been without a chief executive for more than 18 months – was now closer to making an appointment than it had been six months ago, and that a statement would be made in "a matter of weeks rather than months".

It seems unlikely, however, that a new chief executive will be appointed before the end of the year.

Mr Roger Boyes, finance director, said that against the background of a relatively flat mortgage market, he saw prospects for growth coming from non-core areas such as sales of life insurance and unit trusts.

It would be important, he said, both to ensure that the organisation's infrastructure could deliver service at a low cost and to develop new areas of business.

However, the society had no immediate plans to take advantage of the greater powers which had been proposed by the government to set up a wholly-owned general insurance business.

Leeds' recurring administrative expenses rose by a little less than 4 per cent to £226.1m, and costs of a further £22.6m were incurred in a voluntary redundancy programme. Total assets rose slightly to £20.6bn (£19.5bn).

Mr Boyes said that Leeds Property, the society's estate agency, had reported profits of £360,000.. He admitted that these were modest and said thet over ths last few years it had delivered much less mortgage business to the society than had been hoped.

The society was fully committed to the estate agency, he said, but "all parts of the business are constantly under review".

Warner Howard ahead

Warner Howard, which rents and distributes laundry and catering equipment, reported a 7.2 per cent advance in pre-tax profits from £3.22m to £3.46m in the six months to August 31.

Although investment in new equipment in its markets continued to be slow, the company said there had been progress in rentals and its new niche markets.

Mr Ronald Hooker, chairman, said that the continued strength of the balance sheet enabled Warner to pursue further expansion and several possible acquisitions were under review.

Cash flow was positive and period-end gearing was nil.

Turnover edvanced from £10.7m to £11.1m, a rise of 4 per cent. Earnings per share were 9.76p (9.11p). The interim dividend is raised to 2.8p (2.27p) partly to reduce disparity between the interim and final payments and partly to reflect the company's growing cash generation and liquidity.

Appleby Westward downturn

Pre-tax profits at Appleby Westward Group, the grocery distribntor, dropped from £730,000 to £146,000 for the 28 weeks to September 10. The result inclnded £90,000 profit on tbe disposal of the USM-qnoted company's commercial vehicle repair business.

Although turnover improved from £38.2m to £45.1m, operating profits tumbled from £707,000 to £62,000.

The reduction in profit was largely because of a £520,000 sub-contract commissioo payment, tbe company said, as well as a small decline in gross margins in the core food distribution business. The shopfitting operation incurred a small loss.

Mr Roger Harvey, chairman, said Appleby had decided to meet competition by increasing its company-owned and operated stores.

Earnings per share were down to 1.7p (8.5p). However, ths 3.2p interim dividend is maintained.

Ladbroke plans to reduce staff in reorganisation

By Michael Skapinker, Leisure Industries Correspondent

Ladbroke is to reduce its head office and central services staff by more than half in a reorganisation whicb will be completed by the end of this year.

The hotels, betting and retailing group said the number of head office and central administrative staff would be cut from 280 to 120. Not all of the employees affected would be made redundant as some will be moved into Ladbroke's divisions.

Members of the head office legal department will be moved into the group's individual businesses. Posts which will be eliminated completely, however, include 85 jobs at a group distribution depot in Barnsley.

Ladbroke said profits in the three months to the end of September were ahead of the same period last year and recovered the first half shortfall – pre-tax profits for the six months to June 30 were £57.3m after exceptional items, compared with £62.5m.

Hotels in the UK, particularly in London, showed increases in both occupancy and room rate. Hotel performance in continental Europe and Japan, however, was below last year's level and significant recovery would not be apparent until 1995. Hilton's performance overall was slightly below that of the corresponding period last year, the group said.

Retail betting in the UK was hampered by dry summer weather and hard ground, but had since recovered. Credit betting in the third quarter was lower than in the second, although Ladbroke described results as "satisfactory". The Vernons pools business performed well.

Sales at Texas Homecare were slightly down on a like-for-like basis, but margins improved following measures taken in the first half.

The shares rose 1p to close at 154p.

Sotheby's back in the black after nine months

By David Blackwell

Sotheby's Holdings, the parent company of Sotheby's, the New York-based auction, finance and real estate operation, returned to ths black at the nine-month stage, reflecting a broed-based improvement across the art market.

For the nine months to the end of September, income was $2.5m (£1.52m) against a loss of $1.3m. Net income per share was 4 cents (losses of 2 cents).

Auction sales grew from $719.9m to $797.2m in the nine months, and from $84.7m to $105.2m in the third quarter, traditionally a slow period in the art market. The improvement followed the UK Old Master Paintings auction in July and several single-owner sales, including the country bouse sale of Crossrigg Hall.

The group reduced its third quarter loss from $12.7m (23 cents per share) to $11.5m (21 cents per share).

Ms Diana Brooks, president and chief executive, said combined sales in all collecting categories sxcept Impressionist and Modern Art and Jewellery were up 22 per cent. Sales of Impressionist and Modern Art and Jewellery were ahead of the 1992 low, but still below last year's levels.

"Ws anticipate, tberefore, that the decline in the performance of these two categories, coupled with several strong non-recurring sales held in 1993, will result in lower fourth quarter auction sales," she said.

NEWS DIGEST

Queens Moat under fire

Rebel shareholders in Queens Moat Honses yesterday accused the heavily indebted hotels group of breaching company law by oot calling an annual meeting within the required time.

Mr Dennis Woodhams of the QMH Shareholders Action Group said failure to call the AGM could mean there is at least one director "not properly a director of the company".

"All directors have been appointed by the board itself since the 1992 AGM, which was the last one validly to elect or re-elect directors," he said. "Consequently tbere is no director who has been elected by shareholders."

Queens Moat rejected Mr Woodhams' suggestions that it bad breached company law: "We are happy to reassure Mr Woodhams that the timing of the AGM is perfectly in order and it will be held before the end of this year."

Lofs advances

Despite continuing difficult trading in tanker markets, London & Overseas Freighters reported pre-tax profits of $3.76m (£2.29m) for ths six montbs to September 30, against $1.56m, helped by an advance in the second quarter from $308,000 to $2.08m.

Half-year turnover for the Bermuda-based bnt London listed shipping company was $16.4m ($12.7m) with second quarter figures of $8.43m ($7.46m). Earnings per share were 5 cents (6.4 cents) and a second interim of 0.25 cents makes 0.5 cents to date.

Honeysuckle growth

Honeysuckle Group, the ladies wear designer, lifted full-year pre-tax profits 56 per cent to £1.09m for the year to May 31. The rise, from £693,852, was struck oo turnover 42 per cent ahead from £15.8m to £22.4m.

Mr David Stern, chairman, said the present season was ahead of budget.

Earnings per share improved to 9.1p (5.8p). A recommended final dividend of 2p gives a total 3p (2.25p) for the year. The shares firmed 6p to 75p.

Drayton English

Drayton English & International Trust, which seeks capital growth through a worldwide portfolio of smaller listed companies, reported a 3 per cent decline in net asset value during the six months to October 5.

The figure of 102.6p per share at the period end compared with 105.7p at the trust's April year end. The figure did, however, represent an improvement against the FT-SE-A All-Share Index, which dipped 6.1 per cent during the same period.

Net revenne was £768,000, compared with £825,000 in the first half last year.

Earnings per share fell to 0.17p (0.3p) but the interim dividend is maintained at 0.4p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Appleby Westward ...int	3.2	Jan 3	3.2	-	9
Bank of Ireland ...int	4.25♣	Jan 10	3.75	-	10.5
BT ...int	7.05	Feb 13	6.65	-	16.7
Burton ...fin	1	Feb 24	1	2	2
Cranswick ...int	2.45	Feb 3	2.4	-	8.25
Drayton English ...int	0.4	Dec 30	0.4	-	0.8
Honeysuckle ...fin	2	Jan 5	1.5	3	2.25
JF Sec Utilities ...int	1.5✱	Jan 13	-	-	-
LIMIT ...int	1	Jan 27	-	-	1
Lofs ...int	0.25♥☆	Jan 12	-	-	2
N'umbrian Water ...int	9.4	Mar 1	8.1	-	24.3
Oxford Instrum ...int	1.7	Mar 23	1.5	-	4.9
Parkland ...int	2	Jan 9	2	-	5
Penna § ...int	1	Jan 12	1	-	4
Scottish Power ...int	4.55	Mar 10	4.13	-	12.4
Sornic ...int	1.25	Feb 8	1	-	2.5
Staveley Inds ...int	2.3	-	2.3	-	8.5
Umeco ...int	1†	Feb 14	0.75	-	2
Warner Howard ...int	2.8	Jan 5	2.27	-	7.31

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence. ✱Third interim; makes 4.5p to date. ♥US cents. ☆ Second interim: makes 0.5 cents to date.

COMPANY NEWS: UK AND IRELAND

Debenhams rises but losses at Principles, Top Shops and men's wear

Recovery helps Burton to £41m

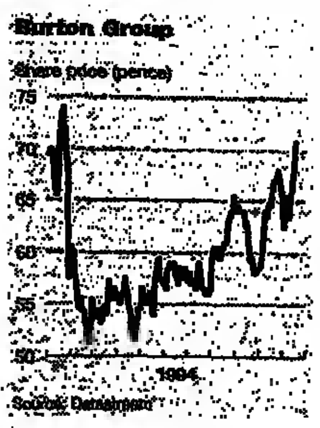
By David Blackwell

Burton, the clothing retail group including Debenhams, Burtons and Dorothy Perkins, more than doubled profits last year despite falling into the red in its multiples division.

Pre-tax profits were £41.1m in the 53 weeks to September 3, up from £16.3m in 1992-93 when there was an exceptional loss of £19.6m. Total sales edged ahead from £1.89bn to £1.91bn.

Mr John Hoerner, chief executive, said the group's plans for recovery were moving along the right track, although all was not behaving exactly as he would have liked.

The strategy of rebuilding the brands had led to better sales and margins throughout the group in the second half, with the exception of Burtons.



The men's wear chain reported an operating loss of £12.4m (£6.4m profit) on sales down 5.5 per cent to £263m (£278.3m). Sales fell 19 per cent, although 7 percentage points of the decline were accounted for by the decision earlier this year to contract out its business in men's suits.

Mr Hoerner said the group had reduced the amount of sales promotions at Burtons and had cut stocks, but he was "not expecting any great things this season".

Losses at Principles rose from £11.5m to £19.4m on lower sales of £106.3m (£120.4m), although the figures reflect a fall in the number of outlets. While losses at Top Shop/Top Man increased to £7.2m (£5.1m), sales edged ahead to £216.9m (£212.9m), and the second half was just in the black.

Dorothy Perkins and Evans both increased operating profits, to £11.4m (£10m) and £12.5m (£10.9m) respectively.

In the first nine weeks of the current year the multiples had operated without staging sales for 90 per cent of the time, compared with only 30 per cent last year.

This had resulted in an improvement of 5 percentage points in the gross margin, although the group stressed that this was not sustainable throughout the first half.

Operating profits at Debenhams rose from £57.7m to £71.5m on sales ahead from £854.4m to £910.4m.


Lydia van der Meer

Andrew Higginson, finance director, left and John Hoerner

Net interest payable fell from £31.4m to £17.7m, and net debt at the end of the year was £77m, down from £212m. This was mainly as a result of the sale in May of four shopping centres for £153m, a deal that ended the group's foray into the property business.

Earnings per share were 2.1p (0.9p). A final dividend of 1p is proposed, giving an unchanged 2p for the year.

● **COMMENT**

The name of the game is to get the multiples back in profit, particularly Burtons and Principles which between them lost £32m – a sum not far short of the group'e total profit. Stabilising margins and re-establishing price integrity without losing sales is not easy, but early indications for the current year suggest the group has taken the right approach. At Principles, sales in the early weeks are nearly 7 per cent higher and 59 of the badly performing stores have been taken out of the division. A quick turnround will follow if the strategy is successful. This is reflected in the share price, which rose 7½p to 71p yesterday. Forecast profits this year of £65m put the group on a prospective multiple of more than 20, a premium to the sector – but perhaps still attractive to the optimists.

Fears of potential Campari bid allayed

By Peter John

Fears that a potential bidder might be moving in on Campari International, the company which designs and markets leisnrewaar and sportswear, were allayed yesterday. The buyer of an 11 per cent stake was revealed as a private investor.

It was announced on Wednesday that a company called Blueridge had acquired 1.12m shares, representing 10.73 per cent of Campari.

Campari was unaware of what Blueridge was and what its intention might be. The textiles gronp appeared vulnerable because its share price had fallen by a third to 24p at the end of October following the announcement of £3.7m rationalisation costs to combat difficult trading conditions.

It transpires that Blueridge is the private investment vehicle of Mr Paul Thompson, the chairman of Sanderson Electronics, a Sheffield-based computer support company. In October, Sanderson was on the acquisition trail, taking a controlling interest in SGA Pacific from General Automation.

However, Mr Thompson said yesterday that Blueridge was bis personal investment vehicle, there was no synergy between his company and Campari and be had no predatory intentions. "I just thought the shares were cheap despite the fact that the company is not enjoying the best of times at the moment."

Mr Rob Wilkinson, Campari's company secretary, said: "Obviously we were keen to find out what Mr Thompson's intentions were. We have spoken to him and he has indicated that the stake is purely for investment purposes."

The shares gained 2p to close at 27p yesterday.

VSEL chairman urges quick OFT bid decision

By Bernard Gray, Defence Correspondent

Lord Chalfont, chairman of VSEL, the submarine maker coveted by BAe and GEC, yesterday urged the government to make a quick decision on whether to allow the takeovers to proceed.

Bids from both companies are currently being examined by the Office of Fair Trading to determine whether they raise competition worries.

Lord Chalfont has written to Mr Michael Heseltine, trade and industry secretary, and Mr Malcolm Rifkind, defence secretary, asking them to make their recommendations to the OFT quickly so that shareholders and employees can be clear where they stand. The government said a decision would be reached as soon as possible.

The impatience at VSEL came as the OFT indicated that it would not now rule on BAe's bid by November 16, but had extended the deadline to December 7. A decision on whether or not to refer either bid to the Monopolies and Mergers Commission is now expected in the first week of December.

About 150 shareholders attended an extraordinary meeting at 7pm on Wednesday evening et the Vickers sports and social club in Barrow. The meeting voted to amend VSEL's articles to allow BAe to buy more than 15 per cent of the shares. An EGM to approve a similar waiver for GEC is to be held on November 24.

VSEL workers are concerned about the prospect of being taken over by either company. The few worker-shareholders who remain, however, are keen to see the takeover race proceed rapidly to secure the highest price possible for their shares.

While the amendment to the articles will allow either company to take over VSEL, neither BAe nor GEC can buy more than 15 per cent of its shares in the market until they have an acceptance of their bid by a majority of shareholders.

GEC already owns 15 per cent and therefore cannot increase its stake until it has acceptances from another 35 per cent of VSEL's shareholders. BAe has no VSEL shares and cannot currently buy in the market as VSEL's shares are well above the cash alternative to its all-share offer.

Cookson makes £10m German acquisition

By Richard Wolffe

Cookson, the specialiet industrial materials group, yesterday aimed to strengthen electronics operations in continental Europe by taking full control of Alpha Grillo, its German joint venture.

Cookson paid £10.4m to buy the remaining 50 per cent of Alpha Grillo, which is the leading German producer of solders and fluxes, from the Metallgesellschaft subsidiary Grillo Werke.

Mr Richard Oster, chief executive, said: "By gaining full operational control of Alpha Grillo, we are able to capitalise more effectively on the potential that exists within the German and eastern European markets."

Alpha Grillo would provide Alpha Fry with an important springboard for expansion into devaloping markets such as Poland, the Czech Republic and Russia, he added.

Alpha Fry forms part of the group's electronics materials side, which contributed 33 per cent of Cookson's £111m operating profit last year. It is now expected to help improve product development and distribution at the German company.

The acquisition, which is to be funded from existing facilities, follows a joint venture with Thyssen of Germany to manufacture and supply central and eastern Europe with special refractories and systems used in the steel continuous casting process.

It also forms part of a strategy of withdrawing from non-core businesses, which led to the disposal of 25 engineering subsidiaries in March.

Wellington launch postponed

The planned launch of Wellington Underwriting as a listed company investing in Lloyd's of London has been postponed following the insurance market's failure to agree new rules on corporate capital, writes Ralph Atkins.

The company said it was now proposing an impact day in the middle of next week instead of today.

Wellington had intended to place 30m shares at 100p and use the capital to invest in seven Lloyd's syndicates run by the Wellington managing agency. It hoped to attract money from existing corporate investors at Lloyd's, but this depended on Lloyd's approving new rules on corporate vehicles investing in each other.

Wellington has decided to go ahead without the new rules.

I£7m loan recovery helps Bank of Ireland rise 28%

By John Gapper, Banking Editor

An unexpected recovery of a I£7m individual loan that had been written off helped pre-tax profits at Bank of Ireland rise by 28 per cent from I£130.9m to I£167.3m (£164.3m) in the six months to September 30.

The bank disclosed that competition for deposits in Ireland had narrowed its net interest margin from 4.3 per cent to 4.1 per cent, although the effect on income was offset by loan growth, including a strong rise in mortgages.

It raised its interim dividend by 13 per cent to 4.25p (3.75p), emphasising that this was "in order to achieve a better balance" with the final. Earnings per share rose from 15.2p to 22p, and net asset value per share grew from 144p to 174p.

Mr Maurice Keane, deputy chief executive, said it might repay some subordinated loan capital from next year onwards as retained earnings strengthened capital, but had no plans to distribute cash to shareholders in a share buy-back.

Mr Keane said the bank was more likely to use the cash for acquisitions. He said this could include the purchase of a mortgage portfolio in the UK, or an expansion of life insurance or pensions in Ireland.

He expected margin pressures to continue, and said that they could extend from deposits to lending if National Australia Bank or National Westminster Bank succeeded in buying TSB Bank, creating a larger competitor.

The First New Hampshire group, its US retail arm, returned a I£13.9m profit (I£3.5m loss). Mr Keane said tba subsidiary would be retained for at least two years in order to gain tha tax benefit of accumulated losses.

Loan loss provisions as a percentage of loans fell to what Mr Keane said was an "unsustainably low" level of 0.2 per cent as a result of loan recoveries of I£10.6m, including the unidentified individual recovery of about I£7m.

Net interest income fell slightly to I£304.9m (I£311.2m) as a result of narrowing margins, but loan loss provisions fell to I£11.4m (I£47.5m). Operating expenses slipped by 1 per cent from I£288.7m to I£285.2m as staff costs fell.

The shares closed unchanged at 285p.

Approach to Walker shareholders

Principal shareholders of JO Walker, the listed timber company, have been approached by a third party with a view to acquiring a "substantial stake" in the group.

The largest individual shareholder is Mr David Walker, the chairman, wbo owns 25 per cent.

Royal Insurance at £311m despite premium income drop

Total premium income at Royal Insurance fell to £3.56bn in the first nine months of this year, compared with £3.76bn. Royal said, however, that the drop largely reflected a planned reduction in its reinsurance operation, writes Ralph Atkins.

The amount of personal motor premiums written fell by 5 per cent in the nine months to £239m. Within that total, Royal said The Insurance Service, its direct-selling operation, was taking an increasing share of business.

The group's pre-tax profits jumped from £118m to £311m.

The UK-based life operation achieved a 5 per cent increase in operating profits to £39m, but the overseas life operations dropped by £2m. Overall UK operating profits jumped to £276m against £79m, helped by good weather conditions and fewer claims.

Royal's chain of 481 estate agents made an increased loss of £11m against £7m, partly from refurbishment costs.

US operations also lost money, not helped by a high level of weather and catastrophe-related claims. But Royal expressed confidence in a recovery ahead, noting that the second and third quarters had seen some improvement in underwriting results compared with a year earlier.

Adding to the spread of its business, Royal said it had struck commercial agreements with German and Scandinavian insurance companies which had increased its access to markets in those countries.

The group's capital and reserves decreased to £1.94bn at September 30, compared with £2.2bn at the end of 1993 as a result of falls in world equity and bond markets. Total investment income fell to £359m from £380m owing to the effect of lower interest rates and the move in asset allocation towards equities.

Exceptionals help Orb to £13.8m

Orb Estates, the commercial property developer, reported pre-tax profits of £13.8m for the year to June 30, compared with a restated loss last time of £88.8m.

The company had returned to the black at the interim stage, with a profit before tax of £8.23m.

The full-year result came on the back of turnover down 14 per cent at £11.3m (£13.1m). The board said profits were almost entirely made np of exceptional items, including £14.5m credited in respect of the company's capital reconstruction, as well as a £626,000 profit on the sale of investment properties. Last year's figure included a £20.2m write-off.

Operating profits were £2.92m, against losses of £3.6m after losses at discontinned operations of £4.05m. Earnings per share were 1.98p (41.8p losses), taking into account the reconstruction and the share issue in January.

FT-SE Actuaries Industry Classification System

Following a partial review of the Financials Economic Group of the Industry Classification System, the FT-SE Actuaries Industry Claseification Committee has agreed to refine and update the current system to reflect the changing nature of many companies currently classified in these sectors. The following improvements will be implemented on December 31 1994:

● Banking Sectors – The two current banking sectors are to be renamed Banks, Retail and Banks, Merchant and redefined. This will provide a clearer distinction between retail and merchant banks.

● Fund Managers & Stockbrokers – A new sub-sector within the Other Financial industry sector will be introduced, drawing together all fund managers and stockbrokers into one distinct sub-sector.

● Discount houses – This sub-sector will be discontinued and the companies previously classified as discount houses classified elsewhere.

● Investment Trusts – The Investment Trusts sector had grown very large and included a variety of different trusts. Consequently, the Classification Committee, working in conjunction with the Association of Investment Trust Companies, have divided the old Investment Trusts sector into six new sub-sectors: UK General, European, International, Geographic Specialists, Venture & Development Capital, and Split Capital Funds.

"The business world is constantly changing and these ongoing improvements to the Industry Classification System help to ensure that it is always up-to-date and relevant", commented Mr Nick Fitzpatrick, chairman of the FT-SE Actuaries Industry Classification Committee.

"The Investment Trust sector had grown as new trusts were launched and dividing it into six new sub-sectors will result in more homogenous groupings. I'm sure that this and our improvements to the definition and segmentation of the bank and financial sectors will be welcomed by investors".

Details of the changes to individual stocks will be published after the next meeting of the FT-SE Actuaries Industry Classification Committee on December 5 1994.

Yarns, fabrics and carpets attract interest at home and overseas

Coats Viyella lines up buyers

By Simon Davies

Coats Viyella, the UK's largest textiles company, has lined up several buyers for its yarns, fabrics and carpet divisions, in a move expected to raise more than £100m for the group.

The shares rose 8½p to 202½p on the news, reflecting investors' surprise that the company had been able to find e single hnyer for what amounts to e mixed bag of reletively unprofitable husinesses.

The divisions have net opereting assets of £120m, and employ 5,400 people. However, a number of the businesses are scarcely profitable, and despite e recently improved performance they achieved operating profits of just £6m last year on revenues of £380m.

The group has had offers for some of the businesses in the past, but it is understood that these have been at far lower prices. Mr Neville Bain, chief executive, said: "We would hope to sell the businesses at close to net asset value."

Tony Andrews

Neville Bain: hopes to sell businesses at close to net asset valne

The group was epproached hy e number of interested parties from both the UK and overseas. It has narrowed the selection down and is confident that e deal can be completed during the first quarter of 1995.

Mr Bain was adamant that employment rights of the staff would be "fully safeguarded".

Coats has radically reduced its deht over the past two years. It is expected to report gearing of ahout 25 per cent at the end of 1994, compared with 65 per cent in 1992. The disposal would hring the figure below 20 per cent.

Mr Bain said the funds raised from the disposal would leave Coats in a strong position to expand its core husinesses, particularly clothing, precision engineering and homeware. However, no acquisitions were imminent, he added.

The disposal is likely to have a neutral impact on the company's profits hut analysts were optimistic that the cash could be channeled into core husinesses that could achieve a far higher return on capital.

Coats' Indian fahrics husinesses, which are held hy a 51 per cent-owned subsidiary, are to be retained by the group.

Baring Brothers have heen appointed to advise on the disposals.

Enlarged Sunleigh warns on profits

Sunleigh, the leisure prodncts group which made e £19.2m diversification into prams last June, yesterday issued a trading statement suggesting that profits for the second half of 1994 would be "small", writes Simon Davies.

The shares fell 1½p to 4½p on the announcement that the group had suffered "e difficult third quarter", dne to a downturn in sales in continental Enrope, particularly for its Laser dinghies and Dart catamarans.

The gronp elso makes Powakaddy motorised golf trolleys, and the purchase of Maclaren moved it into a third consumer durables sector.

The acquisition was funded hy a placiog of 320m shares at 6p, resnlting in e fourfold increase in share cspital.

Mr Alan Hancock, chief exechtive, said Meclaren's profits for the third quarter had exceeded 1993, hut that it hed e strong seasonal hias towards the first half. Maclaren has introduced new prodnct lines and anhstantially rednced its cost base.

Sunleigh retains a cash surplus of £650,000, and will pay a nominal dividend for the second half of the year, its first distrihntion since 1989.

Somic advances

Cost controls enabled Somic, the maker of yarns and woven fabrics, to raise pre-tax profits from £133,453 to £155,788 in the half year to September 30, on turnover of £2.28m, against £2.24m.

Earnings per share were 5.22p (4.47p) and the interim dividend is 1.25p (1p).

Old City ties fray as new advisers muscle in

Nicholas Denton examines a changing relationship

A listing in the Crawford's directory of City connections is not what it used to be. SG Warburg and Baring Brothers are recorded therein as financial advisers to drinks company Allied Domecq. But it was Goldman Sachs, the US corporate edviser, that planned Allied's £265m sale of its food ingredient business announced this week.

The instance is no isolated one. Goldman has encroached on another traditional Warhurg client by advising Reckitt & Colman on the disposal of the Colman mustard line.

The coincidence of the two cases, aside from reflecting well on Goldman Sachs, illustrates a broader point: ancient ties between company and merchant bank in the UK are fraying. One UK corporate financier says: "I don't really care what goes on in Crawford's. It's rather archaic."

Investment banking does, as its practitioners are fond of saying, remain e "relationship business" and old ties count. Reckitt used Warburg for its recent acquisition in the US. The UK house is also handling the disposal of Allied's beverege and bakery businesses.

A long-standing relationship remains particularly relevant when a company mandates an adviser to condnct a rights issue or some other core transaction. "A Crawford's relationship means a lot," says Mr Mark Nicholls, joint head of corporate finance at Warburg.

But even Warburg, bank of record to more UK-quoted companies than any other adviser, knows the limitations of tradition. "Crawford's does not mean that you win every bit of business from that client," says Mr Nicholls. "All it means is that you have an open door."

Clients are spreading their business around more promiscuously than they used to. "The hig international companies like to have two or three strings to their bow," says a UK M&A specialist.

Financial advisers are adapting to the wishes of their customers. Some, such as Morgan Stanley, even make e virtue of their willingness to act as joint adviser. UK banks have mellowed enormously since the 1980s, when some would threaten to resign rather than accept an interloper as joint edviser on a transaction.

Clients are spreading their business around more promiscuously than they used to

Sharing out favours can be a way to smooth the transition from one adviser to another. "A merchant bank is like wallpaper," says e US M&A specialist. "You are not going to redecorate the room in one transaction."

Another US investment banker says that e UK client will save face for its traditional merchant bank by giving it a token role. "There are times when the co-adviser is there for relationship purposes. We say that as long as they stay out of our way everything will be fine."

However, the UK-listed companies that have gone the whole hog, and formally named US houses as their bankers of record, are few and vanishing. Goldman Sachs, listed as Racal Electronics' edviser, is hard pressed to come up with further names.

The more general pattern is for large UK companies, such as Allied, to retain a UK adviser while also huilding e relationship with a US investment bank.

UK and US banks' skills can complement each other. A US investment banker says that his company brings industry knowledge, advanced techniques and an international perspective; but he concedes that the traditional UK merchant bank has "history" and a knowledge of the board.

What is more, a pool of edvisers can provide useful options for a company when one is "conflicted out" – forced to turn down a client's business because it is acting on behalf of a competitor.

Above all, it is UK companies' acquisition forays into the US or continental European market that have often provided the opportunity for interlopers. Goldman's seduction of Reckitt illustrates the classic scenario: e US investment bank advising on a purchase in the US, getting its foot in management's door and pitching for later business.

"Relationships are important but you cannot rest on your laurels and expect the business to come to you," says Mr Will Samuel, head of corporate finance at Schroders, the UK merchant bank.

But established advisers are also becoming better at facilitating the international ambitions of their clients. Warburg has as many corporate finance employees in New York today as it had in London in the early 1980s.

A decade ago an acquisition in the US would have been handled by e local bank. But in the last month Warburg escorted three UK companies into the US in deals worth $3.4bn (£2.07bn). Or perhaps Warburg chaperoned them: at least these three will not be meeting any new banks.

But investment banks can also seduce from the other side of the table. Goldman made contact with Allied through advising Domecq of Spain, its target earlier this year.

NEWS DIGEST

Cranswick surges to £1.31m

A more stahle trading environment helped Cranswick, the supplier of grain, feed, livestock and meat prodocts, hoist pre-tax profits by 75 per cent from £745,000 to £1.31m in the six months to September 24. Mr Jim Bloom, chairman, said that despite low pig prices, there had not been the same degree of volatility as last year.

Turnover grew hy £2m to £56.2m. Earnings per share climbed from 4p to 6.1p and the interim dividend is stepped up to 2.45p (2.4p).

Penna recovers

Penna, the USM-quoted outplacement consultants, swung back into the hlack at the interim stage as it gained market share in "continuing highly competitive" conditions.

Pre-tax profits for the six months to Septemher 30 amounted to £139,000, against losses of £118,000 last time and £309,000 for the previous full year. Turnover expanded by 26 per cent, to £4.91m; fee income at Sanders & Sydney improved from £3.89m to £4.67m.

"This increase has been achieved in a marketplace in which major competitors have reported e decline in sales of about 25 per cent," said Mr John Beard, chief executive. Marketing initietives had resulted in a number of new clients across industry sectors, be added.

Earnings per share emerged at 1.8p (losses of 2p) and the interim dividend is again 1p.

Umeco advances

Umeco, the aircraft refueller manufacturer, reported interim pre-tax profits more than douhled at £385,000, against £154,000.

The company said all companies had performed well in the half year to the end of September with outstanding results from the distrihution and aircraft refuelling divisions.

Turnover was £9.15m (£6.01m). Earnings per share came out at 2.39p (1.1p) and the interim dividend is raised to 1p (0.75p).

The company said that in the past second half profits had been substantially higher than the first. However this year's changed workload would mean a more eveo split.

Crest Nicholson

Crest Nicholson, the builder and property developer, is paying £3m cash for CE Cowen (Builders), e family owned housebuilder based in Harrogate. Crest will also take on hank borrowings of ahout £2.9m.

The purchase price is similar to Cowen's net tangible assets at March 31.

The purchase is part of Crest's plans to expand geographical coverage. Cowen's Harrogate office will become the base for the new northero region.

Sales expansion buoys Oxford Instruments

By Paul Taylor

Strong sales growth and further margin improvement helped Oxford Instruments, the advanced instrumentation group, report a 54 per cent increase in interim profits.

The pre-tax figure rose from £5.07m to £7.81m during the six months to September 25 on turnover up 13 per cent at £55.1m (£48.6m).

Sales in Japan, where the gronp set up marketing operations in July 1991 and now employs 35 people, grew strongly and accounted for 10 per cent of the first-half total, against 6 per cent last time.

Earnings per share increased to 10.4p (6.6p) and the interim dividend is lifted to 1.7p (1.5p). The shares rose 20p to 329p.

Mr Peter Williams, chairman, said the outcome reflected "a continuation of the steady improvement in trading conditions in most of our markets. New orders have increased consistently over the last 18 months suggesting that a soundly based recovery may be in prospect."

Operating profits in the seasonally weaker first half more than doubled to £4.02m (£1.9m) as margins expanded from 4 per cent to 7.3 per cent.

Mr Williams noted that the analytical systems businesses were now making a material contribution alongside continuing strong performances from operations in its core technology of snperconductivity – Research Instruments, Nuclear Magnetic Resonance Instruments and Superconducting Technology. "In the second half we expect this trend to continue," he said, "and in the operations most affected hy recession – Plasm Technology and Medical Systems – there are also encouraging signs of recovery".

Income from the 49 per cent stake in Oxford Magnetic Technology, the magnetic resonance imaging joint venture with Siemens, increased to £3.43m (£2.81m).

Despite funding additional working capital requirements, the group ended the period with net cash of £14.3m, compared with £7.85m at March.

Trevor Humphries

Peter Williams: soundly based recovery may be in prospect

Packaging helps Porter Chadburn

The completion of its staged withdrawal from consumer prodncts and a sharply improved showing from packaging operations saw Porter Chadburn swing back into the black in the first half.

Turnover from continuing operations in the six months to Septemher 30 rose from £38.7m to £42.6m, for operating profits of £2.17m (losses of £62,000), inclnding £2.15m (£1.08m) from packaging as the husiness benefited from legislative changes in the US requiring many customers to redesign their labels.

With no exceptionals this time and a rednced interest bnrden, pre-tax profits amounted to £1.62m, against losses last time of £1.43m and a deficit of £17.2m for the full year.

The disposal of the consumer prodncts side – completed in June with the sale of the Leeda fishing tackle business – conpled with "stringent" working capital controls, particnlarly in the US, helped cot bank borrowings from £9.1m at April 1 to £2.6m. Gearing dropped from 151 per cent to 59 per cent.

Earnings per share were 1.42p (losses of 1.72p), hut the interim dividend is again omitted.

Restructure weighs on Staveley

By Richard Wolffe

Staveley Industries, the measurement, mechanical engineering and minerals company, yesterday announced a decline in half-year profits as it continued to restructure its weighing division.

The company, which also owns British Salt, reported pre-tax profits of £7.1m (£7.5m) on turnover of £166.3m (£164.6m) for the half year to October 1.

The shares dropped 12p to 194p.

Net interest charges jumped 57 per cent to £1.1m (£700,000). Gearing rose from 29 per cent to 41 per cent as capital expenditure increased to £6.1m (3.7m), mainly on new manufacturing capacity in the US.

This is part of a £10m reorganisation package which will transfer weighing production from California to Minnesota, and end the production of bagging systems in Germany.

Mr Roy Hitchens, chief executive, said: "The reorganisation is on plan in every respect: in terms of time scale, cost reduction, and the construction of the new facility."

Turnover from the measuring division fell to £72.9m (£77.7m) but operating profit improved to £1.9m (£1.2m). Reorganisation of the Weigh-Tronix weighing division is expected to finish hy the end of the financial year. Chronos Richardson, the hagging and batch-blending systems husiness, is planned to he fully reorganised in 12 months.

The mechanical and electrical services side lifted turnover to £75m (£68.7m) as the maintenance business expanded catering equipment services. However, pressure on margins in contracting left operating profit at £100,000 (£500,000).

The minerals operations, which supply more than half of the UK salt market, raised turnover slightly to £17.3m (£17.1m), after improved sales of compacted products. Operating profit dipped to £6.2m (£6.4m).

Earnings per share fell 6 per cent to 4.6p (4.9p) hut the interim dividend is maintained at 2.3p.

Difficult second quarter at Parkland

Parkland Group, the woollen yarn and worsted cloth maker, saw pre-tax profits fall from £970,000 to £950,000 in the six months to September 2, after a difficult second quarter.

However, profits on continuing operations, after taking account of the sale of its interest in Company Image, improved hy 7 per cent to £1.02m.

Mr Denis Greenwood, chairman, said the second quarter was characterised hy late contracting from many large customers and longer term concerns about raw material price pressures.

"Although this very demanding trading environment still prevails in many of our markets, order levels and production have improved substantially in recent weeks," he added.

Parkland also announced that it was paying £110,000 in shares to acquire Firthmill, a textile importer. In addition, £40,000 loans to the vendors will be repaid on completion.

Turnover fell from £29.3m to £25.8m, including £1.35m (£3.8m) from discontinued operations. Earnings per share were 10.2p (10.3p) and the interim dividend is held at 2p.

LIMIT underwriting capacity rises 15%

By Richard Wolffe

London Insurance Market Investment Trust, the largest Lloyd's investment trust, yesterday announced a 15 per cent increase in its underwriting capacity, alongside its first interim results.

LIMIT's maximum capacity, which is allocated to 101 syndicates managed by 33 agents, rose from £502.5m to £580m for 1995, after a valuation of its funds on August 31.

It is one of 25 new corporate capital gronps which underwrite ahont £1.6hn of preminms out of Lloyd's total capacity of £10.9bn.

Pre-tax profits were £4.97m on investment income of £5.73m in the six months to September 30. Under Lloyd's three-year acconnting convention, income for the period does not include results from underwriting.

Mr Jonathan Agnew, chairman, said nnderwriting remained favourable this year with stable premium rates and satisfactory levels of claims.

Earnings per share came out at 1.42p and the board declared an interim dividend of 1p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.11.94: Pool purchase price £/MWh	Pool Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	23.42	10.05	10.05
0100	23.42	10.05	10.05
0130	23.42	10.05	10.05
0200	23.42	10.05	17.20
0230	23.42	16.80	17.77
0300	23.42	16.80	17.77
0330	23.42	16.80	17.77
0400	23.42	16.80	17.77
0430	23.42	16.80	17.77
0500	10.05	10.05	10.05
0530	8.25	16.72	16.88
0600	8.22	15.72	16.88
0630	9.39	15.90	17.08
0700	30.73	16.91	10.05
0730	30.88	35.36	36.61
0800	34.12	32.81	34.23
0830	34.12	41.16	42.82
0900	34.14	41.22	42.72
0930	45.09	35.91	37.29
1000	45.09	35.83	37.19
1030	45.08	35.89	37.80
1100	43.36	29.82	30.90
1130	36.76	29.54	30.61
1200	36.76	29.47	30.72
1230	36.76	29.39	30.62
1300	36.75	27.64	28.84
1330	34.12	23.41	24.59
1400	31.59	21.37	22.54
1430	31.89	20.61	21.76
1500	31.59	20.61	21.78
1530	31.59	16.91	18.08
1600	31.80	10.14	10.14
1630	34.81	16.80	17.75
1700	56.60	20.61	21.78
1730	77.85	20.61	21.78
1800	75.75	20.82	21.72
1830	48.78	49.97	51.20
1900	44.55	50.08	51.31
1930	43.46	50.08	51.31
2000	37.65	49.88	51.07
2030	36.70	32.62	33.78
2100	34.77	18.39	19.56
2130	30.88	16.59	17.75
2200	30.73	16.59	17.78
2230	30.39	16.59	17.76
2300	23.34	16.46	17.63
2330	10.07	16.13	17.30
2400	9.22	16.13	17.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per [illegible]

COMMODITIES AND AGRICULTURE

India aims for sugar self-suficiency

By Shiraz Sidhva in New Delhi

India expects to increase its sugar production to 12.2m tonnes from 9.8m tonnes and to be self-sufficient in the commodity in the season starting October this year. This reverses a steady decline in sugar production over the past three years, when the country had to rely on imports to meet domestic demand.

Mr Kalpnath Rai, the Food minister, said this week that the Narasimha Rao government's policy of offering remunerative prices to sugar farmers had yielded a humper cane crop in the 1994-95 season.

White sugar futures climbed to fresh four-year highs at the London Commodity Exchange yesterday as fears of snpply tightness kept the recent rally going.

Traders told the Reuters news agency that China, Yemen and Iran were each rumoured to have bought a cargo of whites originally destined for India.

In late trading the March delivery position reached $370 a tonne, up $6.80 on the day and $39 since the start of October.

India imported 1.9m tonnes of sugar this year, though last year's production of 9.8m tonnes was up by 24 per cent over tha previous year. The import of 1m tonnes through government-owned trading companies led to s controversy and a suhsequent jump in sugar prices.

The country's sugar industry launched a campaign for complete daregulation of the sugar market, saying that plant capacity lay idle hecause of the government's system of monitoring the distribution of cane. The government has yet to decide on the issue.

The minister said the government had cleared 74 licences for the setting up of sugar factories, which would raise sugar production by another 2.5m tonnes in the near future. Mr Rai said the total price payable to cane growers this season increased to Rs54.43bn, compared to Rs44.23bn in 1993-94. Almost 99 per cent of the amount had already been paid by sugar mills to growers as a result of the government's efforts.

The government distributes sugar through a subsidised public distribution system using ration cards. Sugar is available on the open market but at much higher prices.

Tungsten shortage looms as demand grows

By Frances Williams in Geneva

The world tungsten market, severely depressed since 1989, has picked up smartly this year, and experts are already worrying about a future shortage of the metal in the face of surging demand.

Government and industry representstives who met for two days earlier this week in Geneva said they expected strong growth in tungsten demand this year snd next allied to world economic recovery.

With many tungsten mines now closed, especially in industrialised countries, the extra demand is heing met from stocks. But once stocks dry up "the market may face serious instability in event of a sharp recovery in world tungsten consumption", according to the United Nations Conference on Trade and Development, which sponsored the meeting.

The price of ammonium paratungstate, a key intermediate product, has douhled since the beginning of 1994 to around $93-95 per mtu (10kg) in Europe. This, Unctad says, has led the industry to consider reopening conversion facilities. However, prices of tungsten concentrates remain too low to reverse mine closures.

World mine production of tungsten slumped from a peak of 60,426 tonnes (metal content), in 1989 to 30,286 tonnes in 1993 the lowest level since the 1960s. That compared with consumption of ores and concentrates of 32,967 tonnes last year.

Mines in industrialised countries are producing only a tenth of their output at the beginning of the 1980s and in developing countries only about a fifth. Even in China, the world's biggest producer, mine production has more than halved since the late 1980s to less than 20,000 tonnes in 1993.

Unctad says the recent imposition hy the US and the European Union of anti-dumping dnties on imports of Chinese concentrates gives an opening to Russia – though it too has suffered from disrupted production.

In the much longer term the outlook for tungsten is mixed, according to Mr Peter Johnson of the US Metal Powder Industries Federation. He told the meeting that while industrial developments offered potentially important market opportunities - notably in electronics, medical equipment, armaments and cutting tools - some traditional uses were likely to decline.

Cermets and ceramics were increasingly used in place of tungsten carhide and the longer life of cutting tools was reducing replacement demand. The US industry would also have to face up to the impact of lower spending on defence equipment and intense foreign competition in aircraft applications, Mr Johnson said.

Rhône Poulenc to launch integrated farming trial

By Deborah Hargreaves

Rhône Poulenc, one of Europe's largest agrochemicals groups, said yesterday that it would start an experiment in Integrated Crop Management to run alongside its trial organic farm in Ongar, Essex.

The company said it would monitor its use of agrochemicals and artificial fertillsers more closely as well as looking at the use of rotation systems and different forms of cultivation in order to farm in a more environmentally-friendly way. "We are really taking modern technology and comhining it with the best traditional methods," an official said.

The new study will take place on 24 hectares on the company's Bundish Hall Farm, which is adjacent to Boarded Barns where organic methods have heen employed on 24 hectares for the past five years.

Rhône Poulenc has found that the gross margins on its organic sector have consistently heen around half of those achieved on its conventional acres. Over a four-year period, the cumulative gross margin per hectare has been £2,557 for the organic part and £5,487 for the conventional fields.

"All our indications are that the gap will continue to widen between the organic and conventional profit levels," said a company official, "with ICM we're looking at a refinement of the conventional system."

The new ICM approach aims to be as profitahle as conventional farming since any slight reduction in yields should be compensated for hy the lower cost of agrochemicals and other Inputs which will he reduced.

A large cost for the organic land is the need to grow a fertility crop such as clover every couple of years in the land's rotation system to improve soil fertility.

Tea planters to suspend production

India's major tea comoanies, hit by falling exports and growing stocks, bave decided to halt production during the three months to February, reports Reuters from Bombay.

Traders said the industry had been facing a glut for the past two years, caused by two bumper crops and dwindling exports to Russia, once the biggest buyer of Indian tea.

"Now we are strapped with huge stocks, and some of that is of inferior quality. The halt in production was thus unavoidable," explained Mr Vijay Dudeja, chairman of Paramount Tea Marketing.

According to the Consultative Committee of Planters' Association, production will be suspended in all prime plantation areas in the eastern and north-eastern regions. These include the gardens of Assam, Terrai, Dooars and Cacchar, which account for nearly 50 per cent of the country's total output.

"We need to export at least 180m to 200m kg of tea every year to prevent an uncomfortable surplus, but that has failed to happen," said Mr Dudeja.

India's annual exports have not risen beyond 140m kg in the past two years. In the three years following the collapse in 1991 of the Soviet Union, which had been buying nearly 100m kg a year, they fell by at least 55m kg.

That had resulted in a 12 to 15 per cent cut in the prices of all good and medium quality teas, Mr Dudeja said.

Traders said the situation had worsened this year after most planters stepped up production in anticipation of higher purchases by Russia under a debt repayment deal. "The speculation, however, has backfired, with the Russian huying not picking up as expected," said Mr Haresh Parekh of tea hrokers J. Thomas & Company.

Traders estimate that 1994 production will touch 770m kg, up from the previous year's 758m, adding further to the rising stockpile.

Danish pigmeat co-ops study merger proposal

Hilary Barnes reports on a controversial plan

Danish co-operative slaughterhouses, which already include some of the largest pigmeat companies in Europe, are considering merging to form what the Association of Danish Slaughterhouses claims would be the biggest pigmeat processing group in the world.

At this stage the idea is only the suoject of a debate among the farmers who own the husinesses; there have been no merger negotiations as such.

If the merger takes place the resulting company will be the second largest industrial group in Denmark, with a turnover of hetween DKr30bn and DKr40bn (£3.12bn-£4.16bn).

Denmark's pigmeat industry has turned in an impressive performance since It made its reputation at the beginning of this century as a supplier of hacon for the British hreakfast taole. It now claims world market shares of 20 to 30 per cent, varying by product, for internationally-traded pigmeat. The country has only 5m people, but produces 20m pigs a year, exporting 80 per cent of the pigmeat produced. Pigmeat is Denmark's largest single export product, worth about DKr18bn in 1993, about 8 per cent of the country's merchandise exports.

The industry owes its success, say the Danes, to the coopersitive structure, which gives farmers control all the way from the pig sty - through hreeding and processing to sales and marketing.

"We are able to produce raw material of a uniform high quality, and have a system of production which meets the consumer's demand for pure, healthy and nourishing meat products," says Mr Bent Sloth, pig farmer and chairman of the Association of Danish Slaughterhouses.

The industry has rationalised rapidly. Three decades ago there were almost 100 co-operative slaughterhouse companies; now there are just four – Danish Crown, Vestjyske (West Jntland), Steff Houlberg, and Tican – plus the associated companies that process meat into hams, sausages and other value-added products.

Mr Sloth favours the merger, which in itself is a sign of how the idea has matured. His predecessor as chairman was voted out in the mid-1980s for supporting a proposal for a pigmeat monopoly company.

"It is time for the Danish pig industry to give priority to competing with the pig producers of other countries rather than with each other," Mr Sloth declares in an issue of the slaughterhouse association's magazine devoted to the merger issue. He argues that if the Danish companies do not merge with each other one or other of them may well merge instead with a foreign company. "But if the supplier chain is extended to other countries, where the same quality guarantees cannot be provided, we risk losing all the advantages which the Danish industry enjoys."

He does not think there is any risk of loss of commercial dynamism if domestic competition is largely eliminated. The company would be measured by its ability to pay its farmer-suppliers a better price for their pigs than the co-operatives' foreign competitors are able to pay theirs, he argues, and this would keep the company on its competitive toes.

The chairmen of the four co-operatives are less sure. Mr Bent Claudi Lassen, chairman of Danish Crown, the largest of them, concedes that there will be advantages in terms of international sales and marketing strength, as well as economies of scale to be exploited. But counterbalancing these advantages, in his view, are the problems of managing such a gigantic enterprise.

Mr Bent Maribo, chairman of Steff Houlberg, ranking third among the four, is unequivocally opposed to a one-company solution. "It will not mean a strengthening, but a weakening, of the Danish sales position," he says. International huyers, especially in Japan, which is the most valuahle export market for Danish pigmeat, want to have a choice of suppliers, and if there is only one Danish company, they will exercise their choice by buying more from Taiwan, the US and France, he warns. For similar reasons, Danish buyers will begin huying a higher proportion of their meat from abroad, while the private Danish suppliers, who account for about 4 per cent of the market, will gain market shares as well.

Domestic competition, says Mr Maribo, is one of the factors which has made the Danish slaughterhouses among the most efficient in the world. Eliminate this competition "and measuring success will be difficult", he says. Mr Egon Kristensen, chairman of Vestjyske, agrees. "Monopolies haven't always been the most efficient," he points out.

Danish Pigmeat Exports in 1993

Destination	Tonnes	Value (billion DKr)
France	90,445	1,238
Germany	176,023	2,463
Italy	88,304	1,184
UK	145,431	2,547
EU total	529,458	7,811
Japan	139,920	4,519
US	52,472	732
World total	783,588	13,812

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1843-44	1855-56
Previous	1846-47	1858-59
High/low	1845	1860/1829
AM Official	1844-45	1854-55
Kerb close		1847-8
Open int.	259,097	
Total daily turnover	74,014	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1815-20	1844-46
Previous	1830-40	1860-70
High/low		1850/1846
AM Official	1815-20	1845-50
Kerb close		1845-6
Open int.	2,910	
Total daily turnover	226	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	667-68	683-84
Previous	664-65	679.5-80.0
High/low	662/661.5	684/669
AM Official	661.5-62.0	677.5-78.0
Kerb close		669-70
Open int.	43,414	
Total daily turnover	6,568	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7260-70	7381-85
Previous	7305-15	7425-30
High/low		7450/7320
AM Official	7280-81	7405-10
Kerb close		7380-5
Open int.	72,775	
Total daily turnover	12,953	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6075-85	6170-80
Previous	6110-20	6200-10
High/low	6050	6220/6080
AM Official	6045-50	6140-45
Kerb close		6110-20
Open int.	20,845	
Total daily turnover	3,225	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1140-41	1164.5-65.0
Previous	1137-38	1160-61
High/low	1133	1160/1150
AM Official	1132.5-33.0	1157-58
Kerb close		1151-2
Open int.	111,874	
Total daily turnover	11,130	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2695-97	2665-66
Previous	2672-73	2645-46
High/low	2685	2669/2629
AM Official	2665-66	2646-47
Kerb close		2653-4
Open int.	222,709	
Total daily turnover	84,103	

■ LME AM Official £/$ rate: 1.6070
LME Closing £/$ rate: 1.6000

Spot:1.5990 3 mths:1.5980 6 mths:1.5959 9 mths:1.5937

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Nov	124.30	+0.70	124.30	123.80	1,511	254
Dec	123.35	+0.65	123.80	122.35	35,867	4,860
Jan	122.75	+0.75	122.50	122.50	932	9
Feb	122.19	+0.75	-	-	585	3
Mar	121.45	+0.75	121.70	120.60	11,896	2,428
Apr	118.60	-0.60	119.60	119.60	722	4
Total					61,561	10,158

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.10-384.40	
Opening	383.70-384.10	
Morning fix	384.30	239.141
Afternoon fix	384.20	240.200
Day's High	385.30-385.60	
Day's Low	383.50-383.80	
Previous close	384.20-384.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.57 6 months 5.22
2 months ....4.88 12 months 5.64
3 months 4.94

Silver Fix	p/troy oz.	US cts equiv.
Spot	319.65	513.50
3 months	324.25	520.60
6 months	329.40	528.15
1 year	341.85	546.30
Gold Coins	$ price	£ equiv.
Krugerrand	386-389	240-243
Maple Leaf	395.00-397.45	
New Sovereign	90-93	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	385.0	+1.4	-	-	-	-
Dec	385.9	+1.4	386.4	384.3	82,505	21,302
Jan	387.6	+1.4	-	-	23,745	1,680
Feb	389.6	+1.4	390.0	388.0	10,111	70
Apr	393.3	+1.4	393.5	392.2	10,156	984
Jun	397.0	+1.4	397.1	396.6	6,214	320
Total					165,721	26,197

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	411.1	+2.2	411.5	408.0	18,349	9,086
Apr	415.6	+2.3	416.0	413.0	7,426	1,822
Jul	420.0	+2.3	420.0	418.0	1,854	57
Oct	425.1	+2.3	-	-	500	1
Jan	428.1	+2.3	-	-	10	-
Total					28,139	10,966

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	156.75	+0.65	156.80	155.25	4,241	901
Mar	157.75	+0.45	157.70	156.50	3,163	144
Jun	158.50	+0.20	-	-	469	4
Sep	159.25	+0.20	-	-	31	-
Total					7,904	1,049

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	516.1	+5.7	511.0	511.0	50	50
Dec	517.5	+5.7	518.0	512.0	71,303	32,924
Jan	519.8	+5.7	516.0	518.0	88	1
Mar	525.9	+5.8	527.0	520.0	28,919	8,720
May	531.7	+5.8	531.5	527.0	5,215	981
Jul	537.8	+5.8	538.0	533.0	4,571	1,422
Total					122,873	46,017

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	17.96	-0.20	18.19	17.83	76,566	42,064
Jan	17.91	-0.17	18.11	17.77	85,903	25,526
Feb	17.82	-0.16	17.97	17.71	42,185	10,625
Mar	17.74	-0.16	17.85	17.68	24,796	4,300
Apr	17.73	-0.12	17.73	17.65	17,394	780
May	17.69	-0.13	17.69	17.69	12,672	1,801
Total					396,801	81,296

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	16.97	-0.22	17.15	16.85	63,289	16,456
Jan	16.64	-0.12	16.74	16.54	67,263	17,050
Feb	16.53	-0.06	16.57	16.43	22,842	4,757
Mar	16.45	-0.04	16.46	16.36	12,478	1,643
Apr	16.35	-0.06	16.37	16.34	5,192	235
May	16.39	-	-	-	3,084	448
Total					165,616	40,934

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	50.35	-0.22	50.85	50.00	42,063	10,611
Jan	50.90	-0.10	51.10	50.55	37,423	5,439
Feb	51.40	-0.14	51.60	01.10	22,813	1,185
Mar	51.19	-0.04	51.19	50.85	12,599	828
Apr	50.50	+0.10	-	-	7,687	113
May	49.85	+0.16	-	-	4,638	332
Total					153,965	18,872

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	154.50	+0.25	153.75	151.75	35,042	9,842
Jan	156.00	-0.25	155.50	154.75	21,566	3,186
Feb	156.75	-0.50	156.25	154.75	10,124	563
Mar	156.25	-0.75	155.75	154.50	7,893	552
Apr	154.75	-0.25	153.50	153.25	3,235	51
Jun	153.60	-0.25	153.50	152.75	714	-
Total					101,992	22,283

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	1.789	+0.014	1.810	1.771	27,777	11,055
Jan	1.930	+0.014	1.945	1.908	23,647	5,298
Feb	1.925	+0.010	1.940	1.010	14,294	2,131
Mar	1.896	+0.016	1.910	1.870	12,701	723
Apr	1.865	+0.014	1.865	1.860	7,143	579
May	1.866	+0.007	1.870	1.865	6,847	279
Total					142,145	22,184

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	57.20	+0.75	57.25	55.80	26,408	15,389
Jan	55.60	+0.22	55.80	54.65	20,463	7,050
Feb	54.85	-0.03	54.90	54.35	7,965	2,778
Mar	55.00	-0.10	55.00	54.65	4,117	285
Apr	58.35	-0.16	58.35	58.10	5,026	382
May	57.15	-0.06	-	-	1,654	87
Total					69,010	26,135

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	103.60	-0.60	103.80	103.60	506	73
Jan	104.50	-0.80	105.00	104.50	1,938	91
Mar	106.40	-0.95	107.00	106.40	1,651	49
May	108.60	-0.75	108.95	108.60	1,630	26
Jul	110.60	+0.20	111.15	110.60	120	25
Sep	93.90	-0.35	93.90	93.85	43	2
Total					6,454	316

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	378/6	-1/4	382/0	378/2	30,984	16,714
Mar	391/0	-1/0	394/0	390/0	27,168	9,391
May	370/0	+0/4	371/6	368/4	4,361	646
Jul	337/6	-	340/0	337/4	10,484	1,949
Sep	343/0	+0/4	343/4	343/0	309	6
Dec	353/4	+1/0	354/0	353/4	156	3
Total					73,469	27,708

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	219/6	+0/6	222/0	218/4	109,117	29,021
Mar	231/2	+1/0	233/4	230/0	68,667	11,034
May	238/6	+0/4	240/4	237/6	27,592	2,701
Jul	243/6	+0/4	245/0	242/6	36,512	4,079
Sep	248/4	+0/6	249/4	248/0	3,422	278
Dec	253/2	+0/4	254/0	252/2	16,777	2,067
Total					262,961	49,661

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	96.00	-1.25	-	-	5	-
Jan	101.50	-0.60	-	-	479	-
Mar	104.50	-	-	-	130	-
May	105.45	-0.55	-	-	48	-
Sep	92.70	-0.55	-	-	30	-
Nov	94.50	-0.25	94.50	94.50	16	30
Total					698	30

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	558/4	-2/6	562/6	557/6	7,945	10,553
Jan	568/6	-3/2	573/4	568/0	66,668	33,894
Mar	579/2	-3/0	583/6	578/4	26,894	8,388
May	587/2	-3/2	591/2	587/0	13,963	2,717
Jul	593/2	-2/6	597/2	593/0	22,111	2,648
Aug	598/6	-1/2	598/4	596/4	1,628	01
Total					138,310	57,825

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	27.78	-0.32	28.20	27.75	38,296	11,274
Jan	26.81	-0.40	27.25	26.80	22,390	6,849
Mar	26.02	-0.30	26.48	26.00	17,602	6,404
May	25.39	-0.28	25.80	25.38	13,910	2,503
Jul	24.91	-0.21	25.30	94.80	7,089	2,584
Aug	24.70	-0.25	25.00	24.70	1,847	383
Total					104,462	30,713

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	159.4	-0.1	160.3	159.0	35,635	4,528
Jan	101.0	-	162.0	160.6	20,502	2,631
Mar	165.4	-	166.2	165.0	17,843	2,845
May	170.1	-0.1	170.8	169.8	8,714	913
Jul	174.9	-0.2	175.7	174.9	6,312	1,640
Aug	177.0	-	178.0	176.9	1,610	371
Total					101,168	13,705

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.0	-	-	-	-	-
Apr	238.6	-0.7	242.0	236.0	1,464	122
May	250.0	-	-	-	-	-
Jun	250.0	-	-	-	-	-
Total					1,464	122

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	1846	+16	1850	1840	252	59
Dec	1790	+45	1790	1755	432	135
Jan	1715	+35	1715	1680	1,082	87
Apr	1652	+12	1655	1645	896	48
Jul	1480	+7	-	-	132	-
Jan	1810	+70	-	-	17	-
Total					2,811	329

	Close	Prev
BFI	1832	1830

Wool
Prices continue to fluctuate without a positive overall trend, at least in the short term. A peak in mid-September was followed by a sharp setback, but recovery from this failed to establish a new peak before the market fell back slightly last week. This minor downturn also failed to develop further and Australia's Eastern market indicator rose 9 cents to 790 during this week's sales. The New Zealand market eased, with the indicator there down by 14 cents to 543 NZ cents a kg. The US dollar's fluctuations, which have relevance for currencies in wool producing countries as well as for wool and textile trade more widely, have tended to push up prices in many wool textile manufacturing countries but have at the same time tended to make buyers further down the trading line even more reluctant to operate.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	937	-2	943	937	19,289	674
Mar	963	-1	966	961	43,147	1,364
May	971	-2	974	971	14,864	103
Jul	984	-1	987	985	6,600	22
Sep	997	-	1003	997	12,012	83
Dec	1012	-1	1016	1011	9,735	71
Total					112,775	2,591

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1290	-1	1293	1277	13,088	2,636
Mar	1329	+2	1333	1316	34,003	3,311
May	1354	-	1355	1348	8,363	282
Jul	1379	-3	1380	1368	3,687	318
Sep	1402	-3	1405	1395	1,499	-
Dec	1432	-3	1423	1423	5,063	-
Total					71,695	6,555

■ COCOA (ICCO) (SDR's/tonne)

Nov 9	Price	Prev. day
Daily	968.32	965.12

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	3455	-13	3460	3430	367	103
Jan	3505	-12	3520	3466	12,454	2,287
Mar	3458	-20	3465	3425	7,959	1,687
May	3423	-25	3430	3400	3,267	196
Jul	3403	-10	3405	3380	1,346	223
Sep	3388	-17	3398	3370	1,750	230
Total					27,236	4,886

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	183.85	-3.05	186.40	183.15	7,931	4,191
Mar	188.95	-2.80	191.60	188.25	13,555	3,952
May	161.20	-2.75	193.75	191.00	5,363	333
Jul	192.90	-2.85	194.75	192.90	1,968	241
Sep	194.25	-3.95	197.20	194.25	1,071	101
Dec	194.70	-3.70	196.00	196.00	971	72
Total					31,004	8,891

■ COFFEE (ICO) (US cents/pound)

Nov 9	Price	Prev. day
Comp. daily	179.35	181.34
15 day average	179.81	180.60

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00	-	-	-	-	-
Mar	13.43	+0.19	-	-	80	-
May	13.58	+0.10	-	-	580	-
Jun	13.40	-	-	-	450	-
Total					1,110	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	377.50	+7.80	377.50	369.90	1,731	551
Mar	370.50	+7.30	370.50	362.30	9,359	1,016
May	365.60	+7.10	365.60	357.80	3,406	673
Aug	357.00	+6.20	357.00	350.10	2,886	219
Oct	332.00	+6.60	329.00	327.50	1,060	62
Dec	331.10	+8.90	327.50	327.50	62	60
Total					18,640	2,412

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	13.26	+0.11	13.26	13.04	101,060	7,321
May	13.31	+0.10	13.32	13.11	29,189	1,985
Jul	13.11	+0.05	13.14	12.97	18,017	1,170
Oct	12.45	+0.05	12.60	12.37	16,447	1,187
Mar	12.05	+0.05	12.05	12.05	2,986	151
May	12.19	+0.10	12.10	12.19	159	-
Total					167,906	11,822

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	73.13	+0.88	73.55	72.25	20,917	5,069
Mar	74.82	+0.97	75.19	73.90	18,557	2,470
May	76.05	+1.00	76.15	75.10	7,480	531
Jul	76.63	+1.20	76.90	76.00	4,579	326
Oct	71.05	+0.62	-	-	616	59
Dec	70.00	+0.60	70.05	69.74	3,065	116
Total					55,234	8,564

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	108.90	-0.80	109.75	108.75	299	15
Jan	112.55	-0.80	113.80	112.00	14,744	852
Mar	116.25	-0.60	117.00	115.90	5,549	132
May	119.30	-0.65	120.00	118.75	1,648	47
Jul	122.50	-0.65	-	-	615	5
Sep	125.15	-0.65	125.75	125.75	1,244	32
Total					26,099	1,123

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 10	Nov 9	month ago	year ago
2118.3	2118.5	2061.6	1616.4

■ CRB Futures (Base: 1967=100)

Nov 9	Nov 8	month ago	year ago
233.21	233.97	227.74	220.95

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	70.475	+0.525	70.500	70.150	29,439	8,672
Feb	69.750	+0.250	69.775	69.500	22,741	5,023
Apr	69.925	+0.025	69.950	69.800	15,520	1,544
Jun	65.625	-0.100	65.650	65.425	5,195	222
Aug	64.300	-0.100	64.350	64.150	1,604	52
Oct	65.175	+0.025	65.175	65.175	305	11
Total					74,811	15,479

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	33.625	+0.725	33.775	33.500	16,135	2,660
Feb	37.300	+0.625	37.350	36.850	10,875	1,867
Apr	37.825	+0.425	37.375	37.450	5,242	558
Jun	42.975	+0.275	43.000	42.550	2,606	176
Aug	42.450	+0.350	42.450	42.100	527	24
Oct	39.450	+0.250	39.600	39.400	407	19
Total					36,507	5,353

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.575	+0.675	41.950	41.150	8,125	1,555
Mar	41.800	+0.725	42.050	41.325	1,242	236
May	42.700	+0.650	43.050	42.500	321	15
Jul	43.400	+0.500	43.950	43.350	347	13
Aug	42.350	+0.525	42.500	42.350	85	6
Total					10,120	1,825

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1800	95	132	51	79
1850	69	107	75	103
1900	48	86	104	130
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
2600	121	117	55	123
2650	94	95	77	150
2700	70	77	103	181
■ COFFEE LCE	Jan	Mar	Jan	Mar
3400	252	310	147	276
3450	225	291	170	302
3500	200	274	195	333
■ COCOA LCE	Dec	Mar	Dec	Mar
925	16	70	6	32
950	6	56	19	43
975	1	44	39	56
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	53	69	1	47
1700	7	45	2	75
1750	6	27	39	104

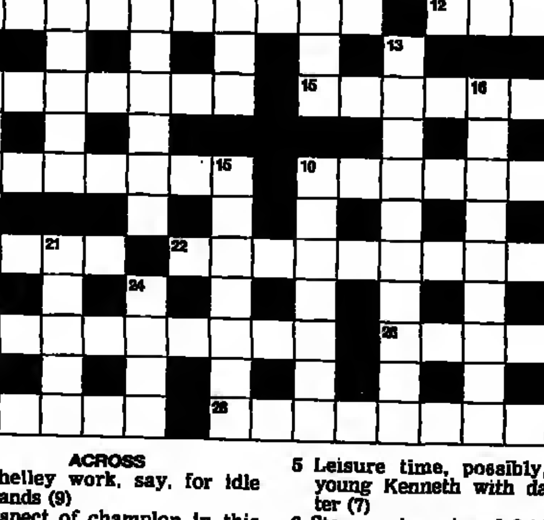
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)		+or-
Dubai	$15.96-6.06z	-0.125
Brent Blend (dated)	$17.11-7.13	-0.340
Brent Blend (Dec)	$17.16-7.18	-0.170
W.T.I. (1pm est)	$18.16-8.18z	-0.190
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$170-174	-0.5
Gas Oil	$157-156	+0.5
Heavy Fuel Oil	$102-104	+1
Naphtha	$168-171	-3
Jet fuel	$190-181	+0.5
Diesel	$161-163	-0.5
Petroleum Argus. Tel London (071) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$384.25	-0.15
Silver (per troy oz)♣	516.5c	-8.0
Platinum (per troy oz.)	$407.75	-1.00
Palladium (per troy oz.)	$155.75	-1.50
Copper (US prod.)	128.0c	-1.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.45c	-0.14
Tin (New York)	282.5c	-3.0
Cattle (live weight)†	115.17p	+0.41*
Sheep (live weight)†♠	100.81p	+1.14*
Pigs (live weight)	76.90p	+3.00*
Lon. day sugar (raw)	$325.90	-1.10
Lon. day sugar (wte)	$374.00	-2.50
Tate & Lyle export	£315.00	-1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	132.0y	
Wheat (US Dark North)	165.0u	
Rubber (Dec)♥	85.75p	
Rubber (Jan)♥	85.25p	
Rubber (KL RSS No1 Jul)	343.0m	+1.0
Coconut Oil (Phil)§	$595.0q	+5.0
Palm Oil (Malay.)§	$710.0z	+7.5
Copra (Phil)§	$446.0v	-11.5
Soyabeans (US)	£163.0t	
Cotton Outlook'A' index	76.30c	-0.20
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Nov/Dec. v Nov/Dec. u Oct/Nov. z Dec. t Nov. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

CROSSWORD

No.8,608 Set by DINMUTZ



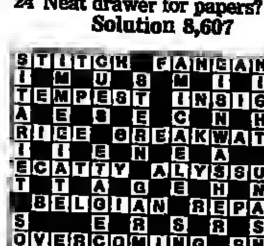
ACROSS

1 Shelley work, say, for idle hands (9)
8 Aspect of champion in this paper (5)
9 Was it applied to the bow in Nero's instrumental? (5)
10 Go higher in best suit, presenting backside to public (9)
11 One may turn up the volume to order (10)
12 Money for a governess out east? (4)
14 Difficult to prove, the more complex it is! (7)
15 Desperate doctor takes wine cold (7)
17 Non-availability of cab seen to be troublesome (7)
19 Colonist who stays out of debt? (7)
20 Advantage of the border (4)
22 Settled cost of fleece? (10)
25 Bamboozled with divine leg-break (9)
26 Wise man of Lytham (5)
27 Alice at 12, say? (5)
28 Horse slip over buffers? (9)

DOWN

1 Old man, for example, to call for silence over problem (5)
2 But would they bring back Constables? (9)
3 Soup in terms one can translate (10)
4 Gangster fits cowl over chimney in Scotland (7)
5 Leisure time, possibly, for young Kenneth with daughter (7)
6 Stars, we hear, in gala? (4)
7 Make butter with church vessel (5)
8 Telegraphed response, you say, from noisy Terpsichorean? (3-6)
13 Turns which impress the field? (10)
14 A red giant turns out to be a heavy sort of star (9)
16 Play patience? (9)
18 New novel in record cover (7)
19 Saint ruled out this filled roll from Germany .... (7)
21 .... provided with information about tea-time (5)
23 Headless needles in jugs (5)
24 Neat drawer for papers? (4)

Solution 8,607



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FINANCIAL TIMES SURVEY

HUNGARY

Friday November 11 1994

■ Welfare cuts are needed to release resources for growth Page II

■ Gyula Horn and the luck of the Hungarians Page III

The hare becomes a tortoise

The most westernised country in the region has squandered its head-start in the past few years. Nicholas Denton and Virginia Marsh report

Hungary, the pioneer of eastern Europe's economic reforms, remains in many ways tha moat advanced of the post-communist democracies. But this central European state of 10m people with an impenetrable language appears to have stumbled and aquandered much of its head-start over the past couple of years.

The national mood has slipped back into a customary malaise after a brief burst of optimism when voters ejected an unpopular conservative government in May and elected what appeared to be a more competent Socialist-led administration.

Mr Gyorgy Ivanyi, commissioner for bank privatisation at Hungary's AVRT state holding company, feels along with many commentators that Hungary has lost its "competitive edge." Ha says: "We are not Poland, forced to make radical moves. Nor a Czech Republic, which can quietly wait for an upturn in the world economy before doing anything serious. That is why we have neither the dynamism of the Polish economy nor the consolidation of the Czech one."

This loss of self-esteem matters. Hungarian business and government leaders, lacking confidence in themselves, find it difficult to woo international investors. "The Czechs have sold their country fantastically, but the Hungarians have not done so in any meaningful way," admits Mr Janos Bartha, managing director of CS First Boston in Budapest.

Some observers are not surprised that Hungary should slip down the rankings. "It is logical that as others catch up, Hungary falls into its place," says Mr Andras Simor, managing director of Creditanstalt Securities in Budapest.

But the economic numbers are worse than that. Output has dropped 20 per cent in four years; it has also fallen more or risen less than the east European average every year since 1991. Recovery this year has run straight into balance of payments constraints. The economy may show GDP growth of up to 3 per cent this year but is forecast to sink back into a second dip of recession in 1995 as government austerity measures bite. Inflation, at 19.5 per cent in August, and the public sector deficit, expected to reach 7 per cent of GDP, are intractable. Hungarian debt is atuck stubbornly below investment grade while the rating agencies have twice upgraded the Czech Republic.

Hidden by the gloomy national statistics, however, are a host of real achievements. Though a deputy president of the National Bank of Hungary and former official of the International Monetary Fund, Mr Gyorgy Szapary argues: "You cannot reduce a country to a fiscal deficit or a balance of payments number."

The national telecommunications company Matav is the first in the region to he privatised. Gas and electricity sectors are next in line. A start has been made to bring in foreign investment and expertise into the country's troubled banking sector.

Activity on the Bndapest stock exchange has taken off. Richter Gedeon, a pharmaceuticals manufacturer, and plastics producer Pannonplast are among companies that have been floated. A record $400m of portfolio investment bas flowed into the country in the past 12 months.

A new generation of entrepreneurs has sprung up. Businessmen like Mr Imre Somody, the founder of pharmaceuticals producer Pharmavit, have taken the place of the wheeler-dealers wbo made their fortunes in the 1980s, only to lose them in the 1990s.

State-of-the-art digital lines have spread apace. New "GSM" mobile telephone services are a auccess. Construction bas begun on the region's first privetely-financed toll motorway, which promises to bring Vienna within two hours' easy driving of Budapest.

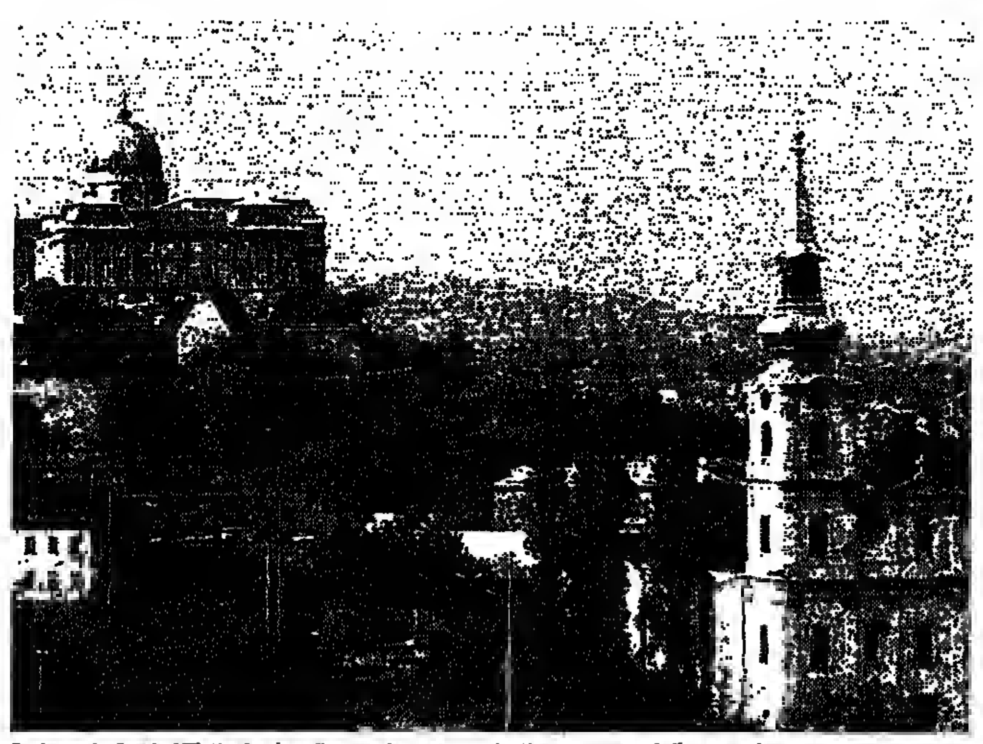
Complaints about banking services and office space, once staples of businessmen's conversation, are now muted. Hungary'a many Cassandras have forgotten the inter-enterprise debt that they once said would entangle the economy.

Hungary has its precocity to thank for many of its edvantages. The country opened up just in time, and lured foreign investors before the international recession hit and western multinationals retrenched. The lax communist regime allowed a relatively free flow of people and information. "Hungary is the most westernised country in the region," says Mr Gyorgy Suranyi, managing director of Central European International Bank. Just look at the people, their outlook, their attitude."

But how has Hungary, with this rich inheritance, produced such a dismal set of economic statistics? One generous theory is that Hungary has gone furthest of the former Communist countries in making bankruptcy a real discipline on corporate behaviour. The government has also spent the most – $3bn so far – in shoring up state banks made technically insolvent by defaulting clients.

The measures should eventually bring benefits. But the bill comes first: lay-offs at bankrupt enterprises; high borrowing rates charged by troubled banks; and government bail-outs which fuel the budget deficit.

There are, however, less charitable explanations for Hungary's poor economic performance. "The fact that Hungary started reforms earlier is in some ways a disadvantage," coocedes Mr Szapary.



Budapest's Castle Hill: the leader after one lap may not be the first to reach the summit Victor Museт

The sense of being ahead has sometimes induced complacency. "Politicians could afford the luxury of not reforming and that is what they have been doing," says Mr Laszlo Caaba of the Kopint-Datorg economic research institute.

Moreover, Hungary's economic development in the 1980s was a mixed blessing. It was financed largely by foreign borrowing. Even the central bank admits that Hungary's debt ratios – debt service was 45.5 per cent of current account revenues in 1993 – are "very near the critical point". The uniquely heavy burden has stood out all the more as Poland, Yugoslavia, Russia and Bulgaria have defaulted and moved towards rescheduling.

Mr Almos Kovacs, a deputy president of the National Bank of Hungary, issues the kind of advice a doctor might give to one of the many Hungarians with heart conditions: "Since we have this additional constraint that these others don't have we must be careful how we generate economic growth."

Another legacy is obstinate inflation. Price controls were lifted earlier and more gradually than in other east European countries. That meant that inflation peaked at 38 per cent, lower than elsewhere. The downside is that expectations of inflation are built in to the public consciousneas. Phased adjustment in prices has also allowed wages to keep up more than they could in Poland and the Czech Republic. Corporate profitability has suffered.

Hungary's reforming communists may also have institutionalised a western-style welfare system too early – at a time when it seemed that the country could afford generous benefits and exorbitant tax rates. Mr Janos Kornai, an economist, coined a phrase: Hungary has developed a "premature welfare state".

His Swedish colleague, Mr Anders Aslund, looks no further for an explanation of Hungary's malaise. "There is little reason to expect economic dynamism from Hungary when only Sweden has a higher tax burden."

But others insist that it is not yet time to write the country off. One favoured metaphor for eastern Europe's arduous economic transition is the 10,000 metre race. One should not judge the outcome by the position after the first lap.

Mr Laszlo Bekesi, the new Socialist finance minister, is after all making the most serious effort in years to get to grips with welfare spending.

And the sophistication of people, companies and institutions must eventually pay off in better economic performance. At least that is what Mr George Kopits, country representative for the IMF, believes. "They have fantastic human capital. In this country if they moved government out of everyday life, the economy could grow at 5 per cent plus for several years in a row. No problem."

KEY FACTS

Area .... 93,030 sq km Population 10.3m
Head of State .... Arpad Goncz
Currency .... Hungarian Forint
Exchange rate .... Dec 1993 $1=Ft100.7 £1=Ft149.06
...... Apr 1994 $1=Ft102.4 £1=Ft155.42 ...... Oct 1994 £1=Ft172.76

ECONOMY	1993	1994
Total GDP ($bn)	38.1	na
Percentage change in [1]		
GDP	-2.3	+1.0
Private consumption	1.4	na
Public consumption	30.5	na
Investment	-0.7	na
Exports	-11.9	na
Imports	18.6	na
Industrial output	4.0	na
Agricultural output	-11.8	na
Consumer prices [2]	21.1	20.0
Employment [3]	-6.6	na
Unemployment rate (%) [3]	12.1	11.0
Discount rate (%) [3]	22.0	22.0
Treasury bill rate (%) [3]	16.6	23.5
Trade [4]		
Current account balance ($m)	-4,262	-819
Merchandise exports ($m)	8,119	1,751
Merchandise imports ($m)	12,140	2,311
Trade balance ($m)	-4,021	-560

EBRD estimates for 1993. EBRD projections for 1994.
(1) National accounts at constant prices. (2) End year.
(3) December 1993, April 1994.
(4) Trade figures from IMF. First quarter only 1994.

Sources: EBRD, Transition report Oct. 1994, IMF.

Virginia Marsh assesses the political scene

Old order in a new guise

Like voters in other former east bloc countries, Hungarians returned former Communists to power in this summer's general elections, the second since the collapse of communism. Unlike many of their neighbours, however, Hungarians again elected a potentially strong and stable government.

With 72 per cent of seats in parliament, the Socialist-Liberal coalition has a large enough majority to pass any legislation, including amendments to the constitution. The Socialists' control of 54 per cent of parliament means the party is likely to serve a full four-year term.

The government, a coalition between the Hungarian Socialist party, the heir to the Communist party, and the liberal Alliance of Free Democrats, the election runners-up, has pledged to use its mandate to complete Hungary's transition to a market economy. Its key objectives are to finish the process of privatisation, stabilise *the country's heavily indebted* economy and lay the basis for strong growth and integration into the European Union.

Such ambitious aims, and the radical reforms which are required to achieve them, represent a big challenge for the HSP, a left-wing party elected, in part, to soften the pain of a transition which has already cost 1.4m jobs and caused living standards to plunge for many Hungarians.

HSP leaders, however, recognise that the country's poor economic situation means there is little room for manoeuvre. Mr Gyula Horn, the prime minister, says: "The basic fact is you cannot spend more money than you earn which is what our governments have been doing for decades ... It is our bad luck that we are the ones who will have to stop that practice ... Fundamental changes have to be made."

The challenge is to find a balance between the tough reforms needed to cure the economy and his party's desire to create "a social market economy" which offers protection to the poorest members of society, Mr Horn says.

Analysts say finding this balance and formulating coherent, consistent policies will be difficult for a coalition grouping socialists with free market liberals and for an HSP whose members span the political spectrum.

The government's three months in office have already seen confrontations between different factions in the party. Mr Laszlo Bekesi, the finance minister, who is considered more of a liberal than a socialist, was forced to water down his austere mid-year budget and accept a retro-active 8 per cent increase in pensions after objections from trade unions backed by cabinet members.

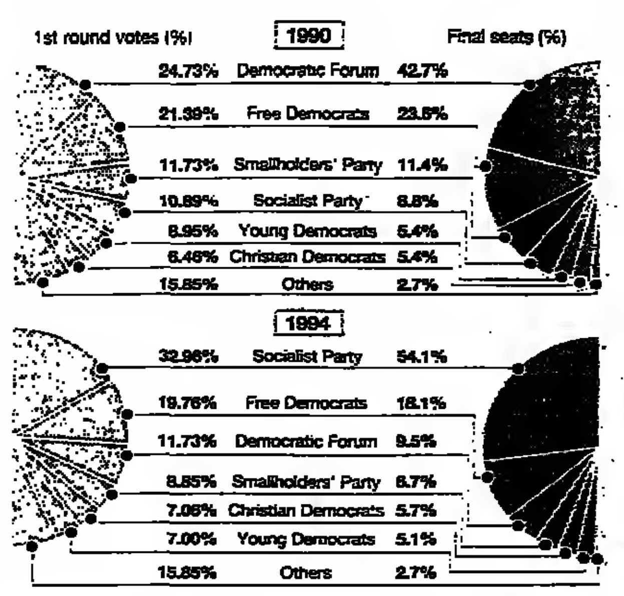
The soft economic policy line can be partly explained by the government's unwillingness to take unpopular measures ahead of next month's nationwide local elections which will be its first major test since May's general elections.

Opinion polls indicate little chance of a dafeat for the Socialists. However, the Socialists and the Free Democrats will face a combined challenge from the main opposition parties. The Hungarian Democratic Forum, whose conservative-nationalist government suffered a crushing defeat in the general elections, its ally the Christian Democrats and the liberal Young Democrats (Fidesz) have, for the first time, agreed to field common candidates in some districts.

Mr Viktor Orban, president of Fidesz, says it is essential the opposition works together to defeat the government parties in 1998. "The real challenge is to prevent fragmentation of the opposition. By 1998 the government will be unpopular and people will want to get rid of it. They won't be able to if there is no credible alternative. We have to build up this alternative," he says.

Analysts say co-operation in the local elections could be the start of a realignment in the centre and centre-right parties to counter-balance the socialist-liberal alliance. This could lead Hungary towards a bipolar political structure rather than the present tripolar structure of socialists, liberals and conservatives. Mr Istvan Stumpf, director of the Budapest School of Politics, says: "The elections are important for the future. The three opposition parties will see if they can gain more support standing together. If they get only 10 per cent of the vote, then moves to form a new centre-right coalition will collapse."

Parliamentary elections



In politics, time proves a great healer

Politics can make for few bedfellows stranger than the Socialists and Free Democrats, partners in the new centre-left coalition government. One wonld not guess from their present intimacy that they were formerly implacable opponents. The Socialists were once the communist satraps of the Soviet Union and their most vocal critics were precisely the dissident intellectuals who went on to found the Free Democrats, writes Nicholas Denton.

This being Hungary, the truth is more suhtle. The founders of the Free Democrats often came from communist family backgrounds and passed through Maoism to their final, liberal political destination.

Meanwhile, Hnngary's Communist rulers, chastened hy the 1956 uprising, treated dissidents quite gently. "With few exceptions, these oppressed people were not physically hurt," says Mr Viktor Polgar, head of the Socialists' Budapest campaign. "They had BMWs while I was driving around in a Toyota."

Bnt Free Democrats stlll remember how, even in the late 1980s, police directed by the Communists beat np demonstrators on sensitive anniversaries. Wiretap reports of the Free Democrats' kitchen-table conversations were sent to ministers in the Communist government.

The dissidents have no monopoly on hard feelings. Some reform Communists feel that they did the tough work of the transition while the opposition basked in the admiration of the west. "The Socialists are people who fonght for change, in a different way: they had to work within the system," says Mr Polgar. "I would have loved to have been in opposition."

Time has proved a great healer. Mr Ivan Vitanyi, a Socialist ideologist, now argues for an eventual merger of the coalition parties. One forgiving intellectual close to the Free Democrats has pnshed for a liberal gesture to rehabilitate the former communist regime and give it credit for its relatively benign character.

Political imperatives have dictated the rapprochement. The Socialists, despite their 54 per cent parliamentary majority, are still former communists. They are distrusted and even hated. The Free Democrats bolster their legitimacy.

As for the liberals, Hungarian politics appears increasingly hipolar. Apart from an alliance with former communists the Free Democrats had unappealing options: going in with conservatives they detest or inhabiting and eventually dying in a no-man's-land between the political blocs.

Mr Miklos Haraszti was one of Hungary's most hounded dissidents. He backs the coalition, bnt it is not easy. "I support it and I hate it. We know we have to do it bnt we don't have to be happy about it. It is the least awful alternative," he says. "But that is democracy, isn't it?"

■ FOREIGN POLICY

Main goal is to join the EU

The overriding foreign policy objective of Hungary's new Socialist-led government differs little from its conservative predecessor: to integrate the country into western European structures through membership of the European Union and Nato by the end of the century.

Mr Gyula Horn, the prime minister, says EU membership is the main goal of his government. "This is a duty, a task of the utmost importance for ns ... Becoming a member means we will have been able to establish a social market economy and to comply with European Union standards and regulations. The other crucial factor is the security we think we can find in the EU."

The government is building on the work of its predecessor whicb, together with Poland and Czechoslovakia, signed an association agreement with the EU in December 1991 and formally applied for membership earlier this year.

Hungary, in common with other eastern European states, believes it is now up to the EU to reveal its timetable and conditions for membership. Mr Istvan Szent-Ivanyi, state-secretary at the foreign ministry, says: "The European Union does not have a clear policy towards central Europe. Wa hope this can be resolved at the Essen summit in December. Now, wa hear different points of view, from party to party and country to country. This makes preparatory work very difficult for us."

The government acknowledges that Hungary and other countries in the region must reform their economies before joining the EU. But Mr Szent-Ivanyi says the EU should apply the same political rationale to eastern European enlargement as it did to members who joined in the 1980s and set its economic conditions accordingly.

Ha says: "Tha economic requirements for our membership should be formulated so that the most advanced central European countries have a chanca to comply with them ... Portugal, Greece and Spain were admitted due to a strong political will to give a hand to the new-born democracies in those countries and to help consolidate them. This was a courageous and clever step."

Where the new government differs from its conservative nationalist predecessor is in its policy towards neighbouring countries, in particular Romania and Slovakia. In his first speech to parliament as prime minister, Mr Horn said Hungary's most urgent foreign policy task was to eliminate tensions with its neighbours and negotiate basic friendship treaties with the two countries. Improving relations was the best way to promote the interests of the 2.3m ethnic Hungarians living in Romania and Slovakia, he said.

Events in Romania and Slovakia have reduced prospects of agreement

In a departure from previous policy, Mr Horn said his government would guarantee the inviolability of borders in the basic treaties – a guarantee upon which both Romania and Slovakia have conditioned bilateral agreements.

Despite Hungary's overtures, the chances of a rapid agreement have been lessened by political avents in Romania and Slovakia since the new government took office. In August, a nationalist anti-Hungarian party formally joined Romania's ruling coalition for the first time. In September, nationalists led by Mr Vladimir Meciar won Slovakia's general elections and are expected to form the next government.

Foreign ministry officials concede these events mean it is less likely thet Bucharest and Bratislava will agree to Hungary's demands for improved treatment of ethnic minorities. But faced with stalemate at tha political level, Hungary aims to improve economic and trade links with the two countries. Officials say the effect may spill over in other fields such as minority and human rights.

In the meantima, Hungary will continue to press the Council of Europe and the European Union to provide greater legal guarantees to protect minority and human rights. Mr Szent-Ivanyi says: "This is not just a Hungarian prohiem. We believe it is a hard-core issue for all central Europe, from the former Yugoslavia to the Baltic states."

Countries in the region need western European support to help build confidence and overcome the "tremendous suspicion" which exists between many of them, he says. One way to achieve this might be to link applicant states' minority and human rights record to EU membership.

Virginia Marsh

'Resources must be released for growth'

Welfare cuts needed

Economists helieve Hungary faces a stark choice: the country must cut public expenditure, lower taxes and restructure its bloated welfare system, which last year cost the equivalent of 29 per cent of gross domestic product, or sacrifice strong economic growth and the chance to compete in the single European market, writes **Virginia Marsh.**

Mr Andrew Rogerson, resident representative of the World Bank in Budapest, says: "Radical changes in spending are needed if Hungary is to close the gap with western Europe. To catch up will require faster growth than is now on the table. The government has to find a way to provide both a social safety net and the basis for sustainable growth. It must release more resources for growth and investment."

However, it will not be easy for a Socialist-led government, elected in part to soften the pain of transition, to overhaul the extensive welfare system which most Hungarians have come to expect from the state and which provides cash benefits to most households.

Mr Peter Akos Bod, the central bank governor, says that unlike the productive sectors of the economy, the social sector has undergone little restructuring in the past four years.

"Large areas – welfare, health, culture, education, social services – function as they did 10 years ago ... The previous government was unwilling to tackle these problems because the economy was contracting and society was in trauma due to the changes after 1990. Now, we should correct this," be says.

Within the government there appears to be a broad consensus on the need to restructure the system which Mr Laszlo Bekesi, finance minister, describes as "premature" for a country with Hungary's resources. However, he admits implementation of tough measures will be difficult for many ministries. This view is shared by western advisers who say there are already sharp divisions within the government as to how deep cuts in welfare should be.

Mr Bekesi says social sector reform will form a large part of the government's three-year modernisation plan due to be presented in the spring. In the meantime, the cabinet has accepted a draft 1995 budget which raises social expenditure by just 10 per cent in nominal terms. Given expected annual inflation of more than 18 per cent, this will lead to significant cuts in real terms, if implemented.

The draft budget also begins the first of several expected tax reforms in the sector. From 1995, contributions to the social security and unemployment funds will be only 25 per cent dednctible for personal income tax purposes, down from the present 100 per cent.

Welfare ministry officials say the efficiency of the system also needs to be improved. A key prohlem is that too many benefits are paid to too many people while an increasing numher of Hungarians slip below the poverty line.

"Snpport should be better targeted at those who need it than at present," says Mr Mihaly Kokeny, secretary of state. For example, from 1996, the state plans to combine child and child care benefit and pay families a flat rate. Under the present scheme the benefit varies according to a family's income, paying a higher amount to higher earners. "This way we will create savings for the system and redirect resources to lower income groups."

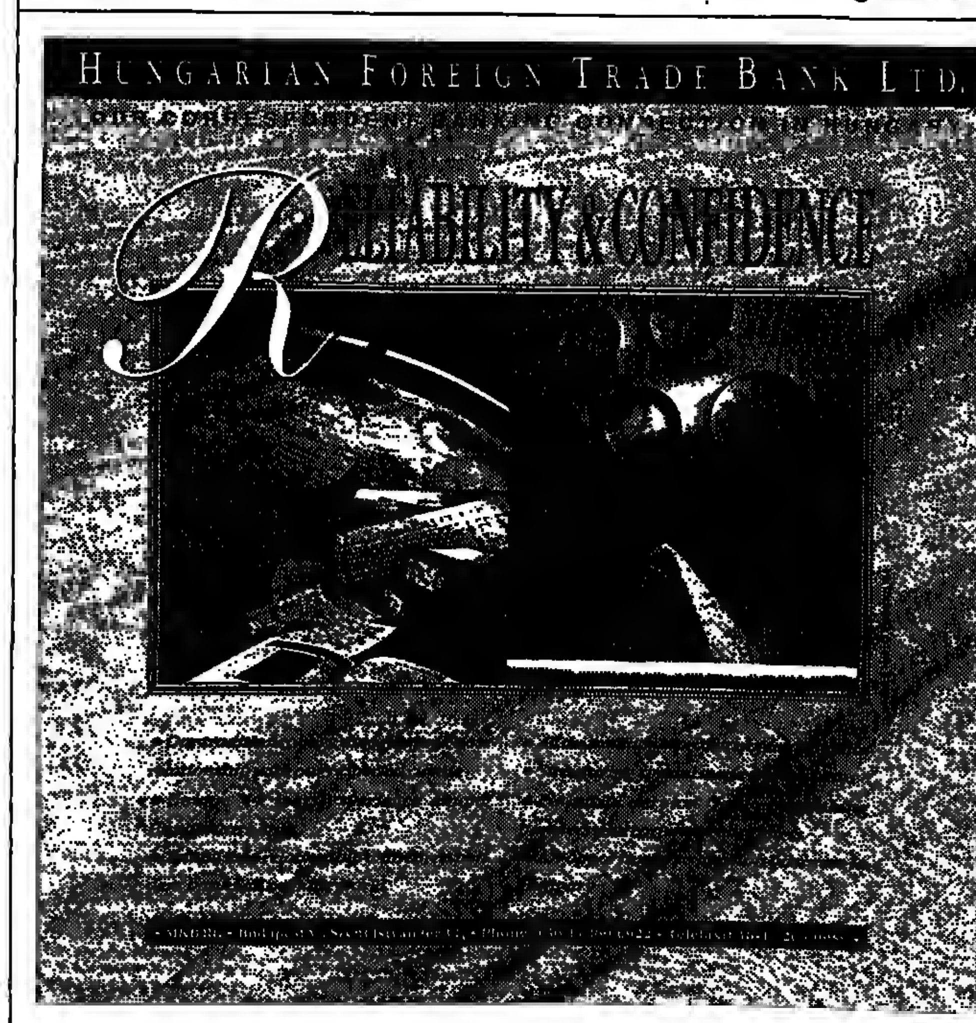
He says welfare providers can also be made more efficient by increasing competition among them and by allowing local authorities to contract out some services to the private sector. Competitive tendering has already heen introduced in some World Bank-funded projects.

Other medium-term plans include pension reform. One way to reduce the burden on the state would be to encourage private schemes and later retirement in line with European norms. The present official retirement age is just 55 for women and 60 for men.

Mr Kokeny says: "Wa would like to restructure pensions so that people would be able to retire early but there would be incentives to stay at work longer." He says an element of choice is essential if the population is to accept cuts and changes in welfare: "We cannot be rigid. We have to discuss our plans openly and warn people of them well in advance. If we take a top-down approach, we could easily fail."

Western advisers point to the considerable political risks involved for the Socialist government. One says: "In making the cuts, the government is in danger of losing the support of a large part of the middle class – those who are not poor but not rich, either. The problem is many people are happy with the status quo. The changes will benefit just a few."

Laszlo Bekesi: system "premature" for the country's resources



Virginia Marsh looks at the privatisation programme

A four-year revolution

Hungary's Socialist-led government has set itself the ambitious target of completing its privatisation programme by the end of its four-year term. To show it is in earnest, it has appointed a political heavyweight, Mr Ferenc Bartha, a former central bank governor and more recently head of Banque Indosuez Hungary, to the new job of government privatisation commissioner.

"We don't expect to privatise 100 per cent of the economy by 1998," concedes Mr Peter Mihalyi, Mr Bartha's deputy. "But we would like the economy to be largely in private hands. We have to reduce the state's involvement so that privatisation is no longer a top priority political issue."

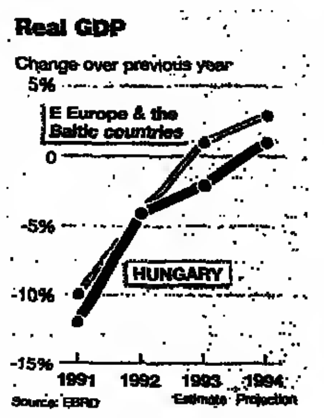
To achieve this goal, a group of 30 economists from the state and private sectors spent several weeks this autumn drawing up a new privatisation strategy and draft bill. Mr Bartha is hopeful the bill will be passed by parliament before the year ends. "The political will exists," he says.

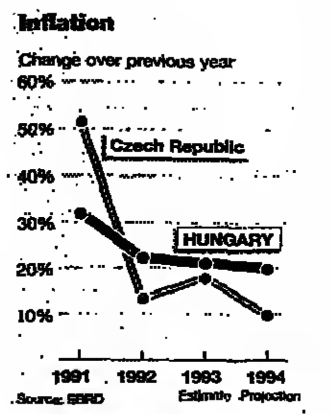
He says the state will reduce the number of companies in which it will retain a majority stake and privatise companies immediately rather than restructure them first. Cash would be generated from sales of the big blue chip companies such as utilities, while companies would be teamed up with strategic investors. Finding good partners and providing for companies' long-term survival will take priority over revenue generation for medium-sized firms.

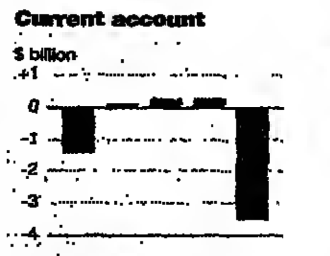
The state intends to sell small companies as quickly as possible, preferably for cash, or failing that by offering incentives to management and/or employee groups or other investors.

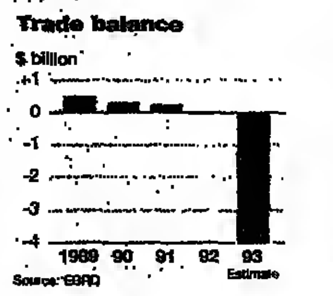
Mr Bartha wants to make greater use of the country's nascent capital markets. One idea is to launch a country fund grouping shares from 10 to 12 partially privatised companies such as Matav, the telecommunications monopoly, 30 per cent of which was sold to a Deutsche Telekom and Ameritech consortium in December.

Most foreign advisers believe good companies would generate more revenue if sold individually, but Mr Bartha says a country fund would attract interest from the many new emerging market investment funds.









The appointment of Mr Bartha and the new strategy have been generally well-received by foreign investors. However, most are reserving judgment until they see action. "There's an element of strategy fatigue. We've heard much of this before," says one western investment banker.

Investors add that, in the short term, some of the government's proposals, such as the merger of the two main privatisation bodies – AV Rt, the state holding company, and the AVU, the state property agency – will inevitably slow down, not accelerate, the process.

Investors have also been unsettled by sweeping personnel changes at AV Rt, including the dismissal of Mr Lajos Csepi, its respected general director, and the sacking of several top managers at large state companies due for privatisation such as MVM, the electricity monopoly. "However competent the new managers, such radical changes will inevitably slow privatisation of these companies," one banker says.

Observers fear the sackings and a much-publicised inquiry into alleged corruption in privatisation under the previous government mean the process will remain highly politicised.

A western diplomat says: "The government is spending a lot of energy investigating the past and attacking its predecessor's record. Instead, it should be concentrating on the future."

Despite their criticisms, most investors are hopeful the government will move ahead with the privatisation of its gas distribution and electricity monopolies, both of which are attracting significant foreign interest.

Gas will come first with the government expected to announce a tender date this autumn for the sale of 25 per cent stakes in the five regional domestic gas distributors. Mr Laszlo Pal, Socialist industry and trade minister, says the government will follow this up in the first quarter of 1995 with the first tender for the privatisation of MVM, the electricity monopoly. The aim is to close a deal by the end of the year. The government, which is being advised on the sale by Schroders, the UK merchant bank, is expected to offer stakes first in MVM's power distribution subsidiaries.

Before this can happen, however, the government must complete the regulatory framework for the industry. This includes tightening the contractual relationship between different MVM subsidiaries and resolving the socially sensitive issue of price regulation.

Mr Pal says prices, which are controlled by the state, will become "market-based". But to achieve this, the government has to ensure that increases are acceptable to the public and do not "gallop away". Analysts estimate that electricity prices must rise by at least 70 per cent to make the company attractive to outside investors.

Nicholas Denton on the top investment bank

Colossus from Boston

CS First Boston, still recovering from wrenching internal reorganisation, may stand in the shadow of Goldman Sachs and Morgan Stanley in New York and London. But in Budapest and other east European financial centres, CSFB is a colossus.

No other international investment bank has been so active. Even rivals concede that CSFB is the pre-eminent investment bank in Budapest.

Yet Mr Janos Bartha, managing director of CSFB Budapest, says: "It's not a one-man show, far from that." Creditanstalt Securities, a subsidiary of the Austrian bank, competes on smaller deals. CSFB backed the wrong horse in the bidding for Matav, the telecoms company, so Goldman Sachs won the success fee in Hungary's biggest single privatisation.

Merrill Lynch, which handled tobacco industry privatisation, and NM Rothschild, which has advised on telecoms and gas privatisation, also won lucrative mandates without setting up costly local offices.

So although investment banking in Budapest may not be a one-man show, one player – CSFB – has got most of the parts. CSFB helped the Hungarian authorities privatise national airline Malev, refrigerator maker Lehel, the commercial banks and now Hungarhotels, the hotel chain.

Until 1992 the firm estimated that it had advised on a third to a half of M&A activity. Now CSFB does not bother counting. "Here we just don't have the top-notch investment bank competitors with us in domestic markets," says Mr Bartha.

Aside from advisory work, CSFB has introduced corporate bonds and commercial paper issues to the Budapest market, helping borrowers bypass the large margins charged by Hungary's commercial banks. The fees have been modest but the service has given CSFB access to such companies as McDonald's Corporation with which it never had a relationship.

M&A work and fixed income issues have helped meet running costs. But the real rewards have come on the equity transactions that have proliferated in the last 12 months. CSFB has acted as the prime conduit for the flow of western institutional money into eastern Europe.

Investment banking in Budapest may not be a one-man show, but CSFB has got most of the parts

In Hungary's case, CSFB has managed the international equity issues of Egis, Pannonplast and Fotex, and sold over $200m worth of shares. CSFB, alone of the international investment banks, possesses a broker's licence in Budapest. The firm has bought up shares on the secondary market, helped western funds secure shareholdings in companies such as telecommunications utility Matav – and profited handsomely.

Not all the deals have been well-judged, say rivals. "I have a lot of investors complaining about CSFB, both in terms of the assets they have been sold and the fees they have been charged," says one Budapest investment banker. Fotex shares have slumped below their issue price despite CSFB's stamp of approval. "If I had bought Fotex I would be screaming," the critic says.

While New York and London may have suffered from the downturn in world bond markets, Budapest is set for a record year. It is believed that CSFB's Budapest office passed its targets for the year several months ago.

"Eastern Europe is going to be paying the salaries of investment bankers in New York this year," says a CSFB executive. Those who had distanced themselves from CSFB's east European adventure now fight for their share of the credit for revenues from Budapest, Prague and Moscow.

J.P. Morgan and Salomon Brothers are looking to set up Budapest offices. Mr Hans-Jorg Rudloff, CSFB's former European head, who is now independent, may build up his own investment banking business. Mr Bartha accepts that CSFB will give up market share, if not market leadership.

Nevertheless, in its 15 professionals in the Budapest office, CSFB has a lock on much of Hungary's investment banking expertise. Salomon Brothers has been looking for months for someone to head its operation – without success. "The barriers to entry are high," says Mr Peter Kadas of CSFB.

Gyula Horn: a rapport with crowds

Prime minister interviewed

Horn and the luck of the Hungarians

Though Gyula Horn is a talented operator, to many he now seems out-of-date, write **Nicholas Denton** *and* **Virginia Marsh**

There can be few better measures of the change in eastern Europe than the evolving image of Gyula Horn. As foreign minister in the last Communist government five years ago, he was one of the liberators of the Communist bloc: the man who with a gesture of biblical proportions opened the iron curtain and let the east Germans go free.

Now, after four years in opposition, Mr Horn is back in government, this time as Hungary's Socialist prime minister. "There should be no reservations about the government or me personally," says Mr Horn. "We started the transition to democracy in the second half of the 1980s of our own free will, without any pressure. We began creating a multi-party system and the market economy. Now we want to carry this through to the very end."

But eastern Europe has moved on even faster than Mr Horn. A progressive in the 1980s, the 62-year-old Mr Horn still reminds many of the past. "He doesn't fit into the new European political landscape," says Mr Janos Martonyi, former state secretary at the foreign ministry.

Anti-communists damn the prime minister for his participation in the "padded jacket" worker's militia that put down Hungary's 1956 uprising against Soviet rule. Even the 1994 version of Mr Horn provokes a shudder or two, at least among Hungary's influential intelligentsia. It may be unfair to judge by demeanour. But according to one prominent banker: "Wherever Horn appears, everyone thinks of a former communist. No matter what he says."

Hunched in his chair, chain-smoking, rarely meeting the eye, a short man in a prime ministerial office the size of a basketball court, Mr Horn fits the stereotype of the Communist apparatchik.

When Mr Horn departs from his script, he has a good line in deadpan humour illustrated by a wry grin. But he can as easily lose his patience with questioning and abruptly terminate an interview.

Content is as much at issue as style. Mr Horn, born of a working-class Communist family, is still proud to call himself a leftwinger. But nowadays, he looks not to Marx as the fount of his socialism but to Pope John Paul II. "The head of the Catholic church and the Vatican say capital is blind and deaf to social differences – that is why policymakers have to interfere."

The Socialist leader's left-leaning beliefs reflect the opinions of his constituency. Hungary had a communist government for four decades and egalitarian ideals remain strong. Many voters opted for the Socialists because they promised security and support for the losers in the transition.

These, not Budapest's chattering intellectuals nor judgemental westerners, are the people Mr Horn cares about. "My model is Janos Kovacs, the ordinary simple person on the street who can tolerate the zigzags that politicians make and tell what is genuine and what false."

Aides say he really means that. Uncomfortable in parliament and before western investors, Mr Horn nevertheless shows a real rapport with crowds that is rare among east European politicians. "These are my waters," he says. "I can really feel good among people." This popular touch makes Mr Horn in a sense a better democrat than his conservative predecessors who supported the idea that the people should rule in theory but were always disappointed in the character of the Hungarian masses.

Mr Horn is a talented operator behind closed doors as well as on the public stage. He doggedly held his party together when it seemed doomed to extinction. Now he plays the arbiter between technocrats, trade unionists and the myriad groups within the broad and heterogeneous governing party.

As foreign minister, Mr Horn visited the US. A former aide tells how a US state department official offered an insulting 15-minute audience. Mr Horn accepted, said his piece, smiled, got up and politely left the open-mouthed US official after 10 minutes.

The genius of Mr Horn's tactics can be overdone. The prime minister has a tendency to make up policy on the hoof. "I think Horn is a disaster," says Mr Tamas Bacskai, chairman of Unibank. "Improvisation is wonderful if it is done by Moliere, but he is not a good improviser."

Nevertheless most people, whatever their criticisms, share the view of Mr Janos Bartha, managing director of CS First Boston in Budapest. "I think that Horn is an absolutely professional politician," he says.

The question is whether the Socialist premier can be not just a consummate politician but a leader too: one who can understand Hungary's economic plight and convince the people to accept unpopular measures.

Mr Laszlo Urban, economics spokesman of the opposition Young Democrats, has his doubts: "He lets conflicts emerge, evaluates whose position is what and then tries to please everybody." Even the government spokesperson concedes that Mr Horn likes to be liked.

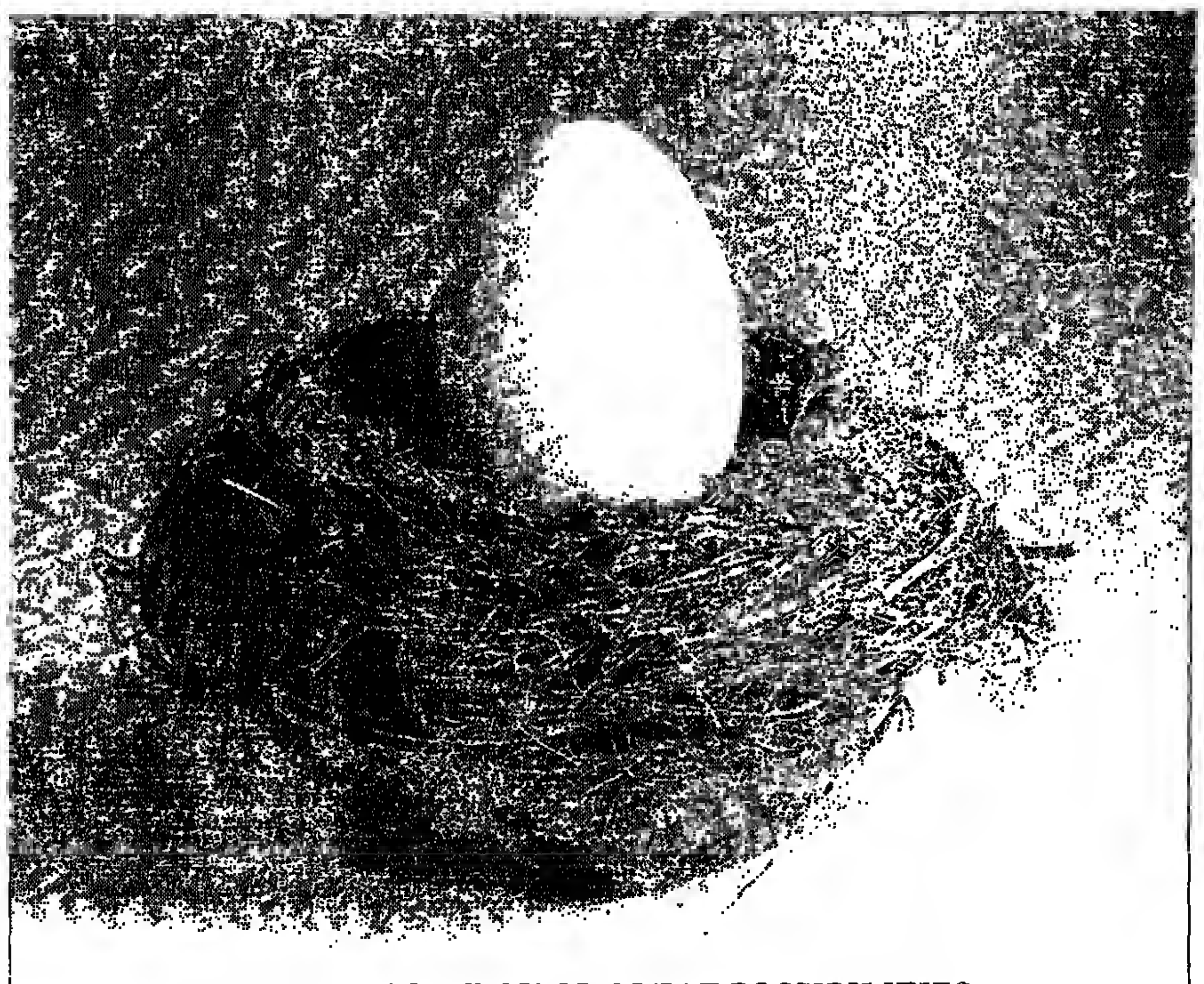
That makes the prime minister somewhat unpredictable, a bit of a weather vane, but not necessarily a man without principle.

Mr Horn's socialism is of the born-and-bred variety. But he has another vision which sits uneasily with his ideological conviction. "Perhaps it might sound like a kind of slogan," he says, "but I want a Hungary which does not differ from the developed countries."

But that line has become a cliche in eastern Europe and does not impress many Hungarian opinion leaders. "I don't think he has a vision beyond Saturday, no, make that Friday," says Mr Laszlo Csaba of the Kopint-Datorg economic research institute.

Visionary leadership, however, may count for more in the confused countries of the former Communist bloc than in the settled west. Mr Vaclav Klaus appears to have made a real difference for the better in the Czech Republic.

In Mr Bacskai's view, Hungary also had an "outstanding statesman" in Janos Kadar, general secretary of the Communist party between 1956 and 1988. "In 50 years a country is lucky to have one such man," the banker says. Hungary, he suggests, has run out of its allocation.



LONDON STOCK EXCHANGE

MARKET REPORT

Footsie stages strong rally to regain 3,100 level

By Steve Thompson

An uninspiring and dispirited performance by London's equity market throughout a sluggish and tired morning session was transformed by the latest data from the US, which indicated a marked slowing down of inflationary pressures affecting producer prices in the US.

Down almost 18 points within an hour of the opening, the FT-SE 100 commenced a powerful and sustained rally shortly after the US news was announced, easily regaining the 3,100 level and closing a net 6.3 higher at 3,105.9.

The news tbat producer prices had fallen by 0.5 per cent, against expectations of a 0.2 par cent increase, took tbe markets completely by surprise and prompted strong gains across international bond and equity markets.

Wall Street, which gave an alarmingly erratic performance on Wednesday evening, initially moving up 38 points on the Dow Jones Average and then sliding to a 20-point net loss before rallying to close a shade higher, was almost 20 points up shortly after it opened yesterday. The Dow was 11 points ahead well after London closed.

The first back-to-back fall in producer prices for more than three years was seen by markets as a potent signal that the US economy is slowing and was thought to lessen the chances that US interest rates will rise more than 50 basis points next week.

On Tuesday the Federal Open Market Committee meets to formulate US interest rate policy and has long been expected to promote another rise in US interest rates. Prior to yesterday's producer price date, economists and strategists expected the Federal Reserve to lift US rates, currently at 4.75 per cent, by at least 50 basis points and possibly by a full percentage point.

Earlier, London opened on a quiet note and almost totally lacking in enthusiasm after Wall Street's surprising lack of follow-through on Wednesday. There was no support for equities from the gilts market, which edged down and showed little signs of rallying.

There was no comfort for the markets from Germany, where the Bundesbank council met for its regular fortnightly meeting and signalled no change in German interest rates. Although most analysts had forecast no change, there were suggestions in the market that a small reduction had been possible.

London's second line stocks gave a resilient performance throughout the day, with the FT-SE Mid 250 Index only marginally lower at worst and eventually 9.5 higher at 3,542.8.

Turnover in equities was 573m shares, with non-FT-SE 100 stocks acccounting for around 57 per cent of the total. There was comfort for the City's harassed dealing teams with news that the value of customer business in the market on Wednesday was £1.6bn, the highest for a week.

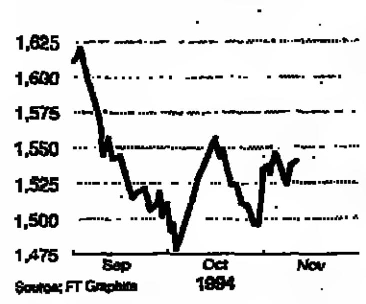
It was another beavy day of company trading statements, with the UK's two biggest companies, BT and Shell Transport, reporting. BT's results were above the consensus of forecasts but there was a measure of disappointment with the dividend increase, 6 per cent, against some over-optimisitc forecasts of 8 per cent. Shell's figures were in line with estimates but the shares slipped back in line with other oil stocks.

A big two-way pull developed in Royal Insurance, with profit-takers moving in and outgunning bulls of the shares.

The market's two newcomers, TLG, formerly the lighting division of Thorn EMI, and Tele-Cine, made reasonably successful debuts, both moving to modest premiums over the issue prices.

Banks continued to outperform the market, especially Barclays and National Westminster. Northumbrian Water was the star performer in the utilities sectors after delivering a bumper 16 per cent increase in the interim dividend.

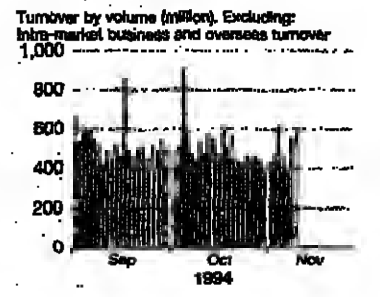
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3103.5	+3.9	FT Ordinary index	2384.1	+7.5
FT-SE Mid 250	3542.9	+9.6	FT-SE-A Non Fins p/e	18.72	(18.72)
FT-SE-A 350	1556.0	+2.4	FT-SE 100 Fut Dec	3107.0	-9.0
FT-SE-A All-Share	1540.93	+2.30	10 yr Gilt yield	8.71	(8.70)
FT-SE-A All-Share yield	3.94	(3.94)	Long gilt/equity yld ratio:	2.23	(2.23)

Best performing sectors

1 Textiles & Apparel .... +1.5
2 Retailers, General .... +0.9
3 Banks .... +0.9
4 Retailers, Food .... +0.7
5 Leisure & Hotels .... +0.7

Worst performing sectors

1 Telecommunications .... -0.6
2 Insurance .... -0.8
3 Oil, Integrated .... -0.7
4 Distributors .... -0.7
5 Household Goods .... -0.6

Two-way pull in Royals

The stock market took a churlish view of third-quarter profits from Royal Insurance and the shares dropped almost 20p after the headline figure was announced.

Subsequent reappraisal of underlying nuances in the results prompted furious two-way trading which saw turnover of 15m shares. The volume was the highest since Fabruary 1992 but then Royal had announced that its losses had plunged to £373m and shareholders would receive no dividend.

The picture yesterday was altogether brighter. Nine-month profits came in at £311m, against £113m a year ago, and although they were at the lower end of forecasts some analysts had been over enthusiastic following bumper second-quarter figures. The main hit of £19m came from the rebalancing of Royals' investment portfolio - the group has spent tbe last year shifting £400m from bonds to equities. But Mr Charles Landa of SGST, remained positive on the stock, arguing that Royals was "sacrificing investment income today for capital growth tomorrow".

Analysts also said the presentation was impressively upbeat. The shares, which have performed very strongly over the past few weeks, rallied from their low but closed 5 off at 295p.

Burton jumps

High street retailer Burton Gronp was one of the day's most active stocks as the market celebrated a robust set of annual figures from the company.

Turnover at the close stood at a hefty 19.2m and the shares climbed 7½ to 71p. Burton reported profits of £41.1m, up from £16.3m, and maintained the final dividend at 2p.

Brokers upgraded current year profits forecasts, and joint broker BZW was said to have weighed in with a sharp increase of £15m to £70m. However, BZW was unavailable for comment.

A rival broker said: "There is a lot of comfort in these figures. For one thing there are no nasty surprises. It seems as if things are beginning to get back on track. We must now wait to see how the trends that have emerged this year develop." The favourable sentiment in Burton also boosted Next, which added 5 at 247p.

Telecoms buzz

Telecoms shares had another hyperactive day, with Cable and Wireless losing further ground and BT dragged lower as slight disappointment with the interim dividend triggered profit-taking. The two stocks' combined trading volume was almost 20m shares.

BT finished 4½ easier at 388¼p, with most analysts pinpointing the interim payout - up 6 per cent, after a 6.3 per cent increase for last year's final dividend - as the reason for the sell-off in the face of generally strong trading trends. According to Hoare Govett, second-quarter underlying profits rose 5 per cent after 3.7 per cent in the first three months.

C&W fell 7 to 385p as analysts got to grips with the management shake-up and fierce margins squeeze under way at the group's Mercury arm.

Mobile phones group Vodafone managed to ride above the bearish mood, gaining 1¼ at 212¼p following news of the 40 per cent sales advance at BT's Cellnet unit.

Shell Transport dropped 8 to 719p after revealing a slight fall in third-quarter current cost net income, the figure that ignores the effect of shifts in the underlying oil price. The profit of £853m was down from £861m last time but well within a broad range of forecasts. SGST, a keen supporter of the stock, argued: "The two problem areas (Shell Oil and Chemicals) . . . are improving their performance at a faster rate than can be expected, and an earnings upturn in 1995 should underpin share price outperformance."

Dollar influenced pharmaceuticals stocks moved into positive territory with the opening of Wall Street. US buying was still in evidence, with the heavy dealing of the past couple of days revealed to have been carried out through the Instinet system, Reuters' US-based equity brokerage service. Glaxo added 5 at 622p and Wellcome rose 9 to 673p.

Meanwhile, Fisons improved 4 to 125p with 4.8m shares traded as bid speculation continued. Among the companies cited as possible bidders are Zeneca, off a penny at 870p, Amersham International, still reeling from disappointing figures on Wednesday and down 19 at 909p, and Medeva, a penny up at 173p.

Shares in Northumbrian Water jumped 16 to 712p after the company posted favourable interim figures which included a surprise 16 per cent dividend increase, well above the 5 per cent guideline adopted by water companies in recent years. Profits more than doubled to £46.1m. However, one analyst said: "Shareholders will welcome the increase in the dividend, although it will raise the political pressure."

Among food retailers, Iceland hardened a penny to 161p following a recommendation from Panmure Gordon, and Morrison Supermarkets moved 5½ ahead to 140p after Hoare Govett changed its recommendation on the stock from "underperform " to "buy".

Anglo-Dutch group Unilever continued to be a nervous trade ahead of today's third-quarter figures and the shares lost another 5 at 1129p.

Textiles group Coats Viyella rose 8½ to 202½p after the company said it was looking to sell its yarns and fabric arm and its carpet divisions, and had received a number of approaches.

Drinks group Taunton Cider was particularly busy. Volume jumped to 7.7m, as the equivalent of around 3.4 per cent of the company's shares changed hands, with one dealer pointing to a tax related trade. Tha shares closed a penny lower at 151p.

Reed International benefited from a presentation to analysts on its professional publishing, particularly its electronic information side. Several analysts, including the team from Hoare Govett, came away feeling reassured and the shares closed 4 higher at 765p.

First day trading in TLG, the former Thorn Lighting, ended in a comfortable premium with the shares standing at 124p, against a flotation price of 115p. Computer software group Tadpole Technology dipped 8 to 432p.

Eurotunnel remained a lively market ahead of Monday's start to direct train running between London and the Continent, rising 12 to 251p for a four-day advance of 9 per cent. The driving force remained the Paris market, where 2.1m shares changed hands yesterday - against under 0.6m in London - to become the most actively traded French stock.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (13).
BREWERIES (1) Wetherspoon (J.D.), BUILDING & CNSTRN (1) Vibroplant, DISTRIBUTORS (1) Finelist, ELECTRNC & ELECT EQUP (5) Ericsson (L.M.), Kershaw (A.), Magnum Power, Thorpe (F.W.), Unitech, RETAILERS, GENERAL (1) Goldsmiths, SUPPORT SERVS (1) MMT Computing, TRANSPORT (1) Jacobs (J.I.), AMERICANS (2) Amdahl, Data General.

NEW LOWS (77).
GILTS (1) BANKS (2) Mitsubishi, Sumitomo, BUILDING & CNSTRN (3) Avonside, Boot (H), Eve, BLDG MATLS & MCHTS (2) Cape, Ensor, CHEMICALS (1) BTP, DISTRIBUTORS (4) Burndene, Diploma, Glenchewton, Quicks, DIVERSIFIED INDLS (1) Staveley Inds., ELECTRNC & ELECT EQUP (1) Roxboro, ENGINEERING (3) GBE Intl, Hunting, Molins, ENG, VEHICLES (1) Ingham, EXTRACTIVE INDS (2) Dragon Mining, NSM, FOOD MANUF (1) Banks (Sidney C.), HEALTH CARE (4) AAH, Amersham Intl, Polartechnics, Premier Health, HOUSEHOLD GOODS (1) Vymura, INSURANCE (3) Heath (C.E.), JIB, Lowndes Lambert, INVESTMENT TRUSTS (12) LEISURE & HOTELS (2) Barr & WAT 'A', Sunleigh, LIFE ASSURANCE (1) London & Manchester, MEDIA (2) Bloomsbury Pblg, Holmes Marchant, OIL, EXPLORATION & PROD (5) Com-Tek Res, Coplex Res, Global Natural Res, Presidio Oil A, Sunrise Energy, OTHER FINANCIAL (3) Exco, Hambro Ins Service, IAF, OTHER SERVS & BUSNS (1) Cape Range, PRTNG, PAPER & PACKG (4) Bemrose, Brit. Thornton, Inveresk, Waco 8pc Cv. Pf., PROPERTY (4) Mountview Ests., Newport, Southend Prop 8pc Cv 2020, Union Square, RETAILERS, GENERAL (4) Essex Furniture, Fine Art Devlps., Mallett, QS, SPIRITS, WINES & CIDERS (1) Merrydown, SUPPORT SERVS (2) Rellex, Spargo Cons., TELECOMMUNICATIONS (2) Cable & Wire, Nippon T & T, TEXTILES & APPAREL (4) FII, Readicut, Richards, Sherwood.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a slower day, but levels of volume remained encouraging and there was steady two-way business for most of the session, writes Jeffrey Brown.

At the close of pit trading, the FT-SE 100 December contract was 3,107, down 8 points and standing at a premium to the cash market of 4 points. Fair value was around 6.5.

Turnover came to 11,592 lots traded, down from 15,363 on Wednesday. There was no great weight of selling, and for much of the morning tha premium to the cash market hovered around 20 points.

Traders were encouraged by what they saw as broad resilienca after the previous day's fireworks which ended with a 44-point gain on tha back of a strong early Wall Street.

Yesterday afternoon's proceedings were mostly left to the local, independent traders, with the bigger trading houses retiring to the sidelines once Wall Street showed signs of becoming more volatile.

In late, screen based trading, the December contract dipped below 3,100, with contracts numbers rising to more than 13,500.

Traded options volume was 24,636 lots, down from 35,998 on Wednesday. FT-SE and Euro FT-SE trading acounted for just under 13,000 contracts, Ladbroke, at 2,000 lots, was the most activa individual stock option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3093.0	3107.0	-9.0	3120.0	3082.0	13589	55276
Mar	3113.0	3124.0	-11.0	3126.0	3109.0	422	4264
Jun	-	3145.0	-11.0	-	-	0	80

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	3540.0	3550.0	-10.0	3546.0	3540.0	28	4166

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	-	3550.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3103) £10 per full index point

[illegible]

Calls 4,415 Puts 4,330

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Dec	201	20½	161	30	124½	43	92½	60½	65	83	43	110½	26	143	14½	192
Jan	222	33½	186	47	151	62	122½	82½	95½	104½	74	133	54½	162½	40½	198
Mar	249½	55			181½	85			125	126			92	161		
Jun†	290	78			225	109½			168	149			120½	197½		

Calls 1,997 Puts 2,115 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct			185⅛	5⅝	66	15⅝	38⅛	34⅞

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	985	329	+1
ASDA Group†	6,400	64	+1¼
Abbey National†	4,100	423	+5
Albert Fisher	507	48	
Allied Domecq†	979	598	-2
Anglian Water	1,300	518	-6
Argos	174	341½	+1
Argyll Group†	2,000	288	+1½
Arjo Wiggins†	855	271½	+1½
Assoc. Brit. Foods†	286	550	-2
Assoc. Brit. Ports	3,100	274	+2
BAA†	1,400	502	+3
BAT Inds.†	3,200	448	+3
BET	3,800	109½	-1
BICC	405	350	-1
BOC†	977	711	+5
BP†	6,500	422½	-1½
BPB Inds.	1,000	304	+2
BT†	10,000	388¼	-4½
BTR†	8,200	307	+1½
Bank of Scotland†	1,000	209	+2
Barclays†	6,700	607	+9
Bass†	1,400	550	+2
Blue Circle†	2,100	298	+6
Booker	273	412	+1
Boots†	1,300	521	+5
Bowater†	360	444	+2
Brit. Aerospace†	734	457	+2
British Airways†	8,300	371	+1
British Gas†	3,100	288½	-½
British Land	1,100	389	+2
British Steel†	13,000	157½	+1½
Bunzl	532	164	
Burmah Castrol†	789	867	-4
Burton	21,000	71	+7½
Cable & Wire†	9,600	389	-6
Cadbury Schweppes†	1,000	441½	-½
Caradon†	297	277	-2
Carlton Comms.†	540	868	-1
Coats Viyella	3,600	202½	+8½
Comm. Union†	1,200	545	+2
Cookson	313	251	+2
Courtaulds†	1,500	450	+7
Dalgety	737	421	-2
De La Rue†	508	1000	-1
Dixons	1,300	194	+5
Eastern Elect.†	585	804	+1
East Midland Elect.	311	685	-7
Electrocomps	342	471	-1
Eng China Clays	162	355	+1
Enterprise Oil†	1,200	380	-2
Eurotunnel Units	575	251	+12
FKI	402	162	
Fisons	4,800	125	+4
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT - SE Actuaries Share Indices — The UK Series

	Nov 10	Day's chge%	Nov 9	Nov 8	Nov 7	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3103.5	+0.1	3099.6	3063.8	3065.8	3099.7	4.11	7.05	16.76	111.99	1179.00
FT-SE Mid 250	3542.9	+0.3	3533.3	3518.7	3520.1	3434.8	3.54	5.70	20.83	113.31	1324.52
FT-SE Mid 250 ex Inv Trusts	3545.2	+0.3	3533.5	3521.7	3522.3	3432.6	3.70	6.26	19.40	117.70	1322.66
FT-SE-A 350	1556.0	+0.2	1553.6	1538.4	1539.2	1543.8	3.98	6.78	17.54	54.71	1208.11
FT-SE SmallCap	1782.13	----	1781.83	1778.24	1778.71	1771.46	3.32	5.00	25.23	50.62	1387.73
FT-SE SmallCap ex Inv Trusts	1750.96	+0.1	1750.05	1748.25	1748.68	1754.12	3.52	5.56	22.99	52.65	1367.86
FT-SE-A ALL-SHARE	1540.93	+0.1	1538.63	1524.42	1525.18	1529.21	3.84	6.63	17.93	53.48	1218.89

■ FT-SE Actuaries All-Share

	Nov 10	Day's chge%	Nov 9	Nov 8	Nov 7	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(16)	2701.97	-0.6	2715.96	2690.98	2685.65	2447.20	3.49	5.06	24.96	89.83	1090.84
12 Extractive Industries(4)	3803.43	+0.2	3794.63	3802.21	3791.54	3003.70	3.37	5.40	22.92	98.62	1048.53
15 Oil, Integrated(3)	2676.84	-0.7	2695.54	2662.69	2656.78	2460.40	3.64	5.61	22.18	96.44	1105.42
16 Oil Exploration & Prod(11)	1871.52	-0.3	1876.87	1872.34	1876.86	1882.20	2.22	‡	‡	38.03	1082.83
20 GEN MANUFACTURERS(267)	1861.26	+0.3	1874.80	1859.19	1855.96	1898.10	4.06	5.11	23.72	68.24	962.54
21 Building & Construction(33)	1057.58	-0.2	1060.10	1048.50	1045.50	1135.40	3.75	5.30	24.83	35.33	833.59
22 Building Matls & Merchs(32)	1857.78	+0.7	1844.59	1824.85	1810.93	1862.60	4.01	5.23	23.10	66.90	879.94
23 Chemicals(23)	2289.05	+0.5	2277.45	2270.10	2276.55	2143.60	4.05	4.51	27.74	79.56	1015.79
[illegible]											

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	50	7	14
Other Fixed Interest	0	0	14
Mineral Extraction	41	74	81
General Manufacturers	120	104	411
Consumer Goods	37	41	109
Services	98	64	333
Utilities	14	23	7
Financials	94	76	194
Investment Trusts	59	90	316
Others	41	43	31
Totals	554	522	1510

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 7	Expiry	February 0
Last Dealings	November 18	Settlement	February 23

Calls: Aveeco, Bk of Ireland, Bullers, Crossroads Oil, Ennex Intl, Ovoca Res, Minmet, NSM, Smurfit (J), Tullow Oil, Wiggins. Puts & Calls: Glaxo, London Elect.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.82	6½	4	APTA Wnts.	6		-	-	-	-
-	F.P.	17.6	88	70	Abtrust Latin Am	88		-	-	-	-
-	F.P.	2.20	63	55	Do Warrants	55		-	-	-	-
-	F.P.	11.2	187	180	¶Adare Prntg	186		Q28%	6.1	1.4	10.9
-	F.P.	10.2	76	63	Artesian Ests.	76	+1	-	-	-	-
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
20	Nil	9/12	4½pm	1pm	Bullers	1pm	
310	Nil	20/12	41pm	25pm	Kenwood Appl	26pm	
27	Nil	28/11	3½pm	2½pm	Martin Intl	3pm	
500	Nil	12/12	50pm	16pm	Matthew Clark	16pm	-2
26	Nil	22/11	¼pm	¼pm	Novo	¼pm	
5	Nil	15/11	2½pm	½pm	¶Union Square	½pm	-¼

FINANCIAL TIMES EQUITY INDICES

	Nov 10	Nov 9	Nov 8	Nov 7	Nov 4	Yr ago	*High	*Low
Ordinary Share	2384.1	2376.6	2348.5	2346.2	2371.7	2340.6	2713.6	2240.6
Ord. div. yield	4.34	4.35	4.40	4.40	4.35	3.85	4.51	3.43
Earn. yld. % full	6.29	5.31	6.39	6.32	6.26	4.62	6.51	3.82
P/E ratio net	18.38	18.31	18.10	18.23	16.42‡	27.14	33.43	18.94
P/E ratio nil	17.83	17.86	17.65	17.78	17.96	25.16	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35. ‡Corrected values.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2372.8	2371.8	2367.8	2369.5	2373.1	2372.0	2374.1	2380.0	2386.2	2386.2	2365.0

	Nov 10	Nov 9	Nov 8	Nov 7	Nov 4	Yr ago
SEAQ bargains	24,490	26,796	22,075	21,785	23,845	29,165
Equity turnover (£m)†	-	1576.7	1072.1	1063.7	1083.9	1647.4
Equity bargains†	-	29,198	24,813	24,322	27,889	32,928
Shares traded (ml)†	-	613.1	667.5	398.8	466.0	619.5

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22¾	—	£25⅛	£19⅝	6,841	4.9	ϕ
ANZ A$		179	+4	278¼	171	2,362	5.3	27.1
Abbey National	†N□	423	+5	523	380½	5,549	4.6	14.2
Allied Irish I£	♣†N□	282	-3	314	233	2,079	5.3	9.7
Anglo Irish I£	M□	52	-4	70	56	178.8	8.3	9.5
Asahi Y	□	661½	-5¼	819¼	628	15,122	0.7	ϕ
Banco Bil Viz Pta	□	£16⅝	-¼	£18½	£14½	3,781	5.3	7.4
Banco Sant Pta		£27⅛	—	£30½	£23¾	4,094	5.3	6.5
Bk Ireland I£	♣†N□	285	-1	319	248	1,362	5.1	8.1
Bank Scotland	♣†N□	200xd	+2	247	172½	2,438	3.2	11.8
9¼pc Pf		107½xd	+¼	141½	106	107.8	10.8	-
9⅜pc Pf		112½xd	—	149½	111¼	112.5	10.8	-
Barclays	♣†N□	587	+9	640	487	9,834	3.4	18.7
Dai Ichi Kan Y	□	£10⅝	-⅛	£12¼	£10⅛	33,865	0.5	-
Deutsche DM	□	£303	-4½	£344¼	£270½	14,430	2.2	-
Espirito Santo	□	£8⅝	+¼	£13⅛	£7⅝	184.2	4.4	4.4
First Nat Fin	N□	57	—	80	55	113.1	2.6	-
6.3pc Cv Pf		71	—	90	70	4.77	11.1	-
7pc Cv Pf		125	—	171	121	69.3	7.5	-
Fuji Bank Y	□	1303¼	-20	1549¼	1152½	37,751	0.4	ϕ
HSBC HK	†N□	735xd	+2	1133	680	12,862	4.2	18.6
HSBC (75p Shs)	†N□	729xd	+4	1113	660	6,203	4.2	18.6
Lloyds	†N□	574	+5	660	519	7,444	5.3	11.3
Mitsubishi Y	□	£14⅛	-⅛	£16⅝	£13⅛	48,427	0.4	ϕ
Mits Tst & Bk Y	□	884¾	-20¾	1182¼	687½	10,601	0.6	14.0
Mitsui Tst & Bk Y	□	645¼	-22¾	879	514	7,730	0.8	21.8
Nat Aust A$	†	483	+4	620¼	472	6,589	5.7	16.4
NatWest	†N□	516	+7½	622	421	8,828	4.7	9.0
Ottomane FFr		£21¼	—	£23	£21¼	168.8	8.7	ϕ
Rd Bk Scotland	♣†N□	455	-3	528	377½	3,852	3.3	20.6
Sakura Y	□	£8¼	-⅛	£9⅛	£8⅛	27,316	0.7	50.6
Sanwa Y	□	£12⅛	-⅛	£15⅝	£11⅛	35,484	0.5	-
Standard Chartd.	†N□	289	+4	389¼	223	2,783	2.8	0.8
7 3/8pc Prf		85½	+¼	108½	82¼	85.8	10.8	-

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1994 high	low	Yld Gr's	NAV	Dis or Pm(-)
Perpetual Japan □	102½	-1	120	88	-	96.4	-6.0
Warrants □	44½	—	88	44½	-	-	-
Personal Assets	[illegible]	—	334	279	2.8	716.2	0.2
Pilot Inv N□	125	—	153	124	1.8	125.1	0.1
Warrants □	44	—	69	40½	-	-	-
Piper Euro Smlr □	92	—	98	81	-	88.8	-3.5
Warrants □	40	—	43	33	-	-	-
Primadona N	273	—	293	261	2.1	298.8	0.0
Ptarmigan Int □	228	—	*276	205	1.5	239.4	5.8
Warrants	82	—	140	78	-	-	-
RIT Capital □	181	—	189	164½	1.0	220.9	18.1
2½pc Cv Ln 2000	£179½	—	£188½	£170½	1.4	-	-
Radiotrust	78	—	88	69	-	70.6	1.1
Rights & Iss Inc KN	109	—	164	153	7.3	-	-
Cap N	405	-3	545	440	2.2	542.7	10.6
Riv & Merc Am Inc N	104	—	121	101	9.4	-	-
Cap □	29½	+½	38	29	-	39.8	25.9
Warrants	13½	—	17	13	-	-	-
Riv & Mer Ext □	90	—	147	91	10.5	98.5	6.5
Warrants	17	—	46	14	-	-	-
Zero Div Pf	109½	+½	118½	100	-	-	-
Riv & Mer Geared N	85	—	118	85	11.1	-	-
Prfd Cap 1999	27	-½	30	23	-	33.8	16.8
Riv & Merc Smlr □	122	—	178	118	4.2	133.8	5.8
Warrants	35	—	77	31	-	-	-
Riv & Merc Tst Inc □	113	—	127	112	10.2	-	-
Cap □	120	—	150	118	-	188.4	36.3
Warrants	22½	—	40	22	-	-	-
Do. Stepd Pf N	151	+½	163	144	4.9	-	-
River Plate Inc □	108	—	113	106	10.3	-	-
Cap □	75½	+½	110	75	-	136.3	37.2
Warrants	2	—	11	2	-	-	-
Zero Div Pf	88¼	—	88¾	83¼	-	-	-
St Andrew KN	305	—	343	300	3.2	314.8	3.1
St David's Inc N	136	+1	142	124	13.9	-	-
Cap	175	—	223	166	-	252.8	31.0
Zero Prf	148½	—	151½	142½	-	-	-

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
TVX Gold ♥	467p	-11¼	480½p	338½p	738.1	-	
Toronto-Dom	9⅝	+⅛	11⅛	9⅛	2,811	4.0	
Trans Can Pipe ♥	9	-⅛	10¾	7⅝	1,451	4.9	

SOUTH AFRICANS

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£28⅞	—	£30	£13½	1,932	2.5	21.7
Barlow Z	£4⅝	+⅛	£5⅞	£3⅞	979.8	0.7	-
Gold Flds Prop R	116	—	128	75	12.1	7.9	♦
NK Props	55	—	55	85	3.82	12.5	-
SASOL ♥	503	—	582	280	3,083	2.6	-
SA Brews †	£15⅛	-⅛	£16⅞	£10	4,218	1.9	23.8
Tiger Oats	698	+12	838	538	1,049	2.2	♦
Tongaat-Hulett h	675	—	*895	356¼	615.2	1.9	18.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ *Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.*
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on *prospectus or other official estimates.*
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other *official estimates for* 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT7498. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

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An international service is available for callers outside the UK, annual subscription £250 stg.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
[illegible]						

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Pref Advisers 0800 414161
Private Clients 0800 414167
From O'seas (44) 732 777377

[illegible]

Lazard Freres Asset Management (CI) Ltd
PO Box 275, St Peter Port, Guernsey, CI 0481 710461

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

Lloyds Intl Money Market Fund Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Dealing daily

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

Kleinwort Benson Intl Fd Mngrs Ltd
PO Box 44, Guernsey, CI

[illegible]

*Offer price inclusive of maximum preliminary charge

Lazard Fund Managers (CI) Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأصل

مكتبة الأصيل

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(☆) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight.
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
b - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
w - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
¶ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
§ - Only available to charitable bodies.
φ - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar firmer after surprise US inflation figures

The dollar made further gains yesterday as good inflation figures helped the currency build on improved sentiment, following Republican gains in mid-term congressional elections, *writes Philip Gawith.*

The October producer price index fell by 0.5 per cent, against a market expectation of a 0.1 per cent increase. It was the first time in more than three years that producer inflation had fallen for two consecutive months.

The dollar closed in London at DM1.5348, a gain of a pfennig from before the PPI figures, and at Y98.04 from Y97.79 at Wednesday's close.

The firmer tone in the US currency came as an increasing number of analysts suggested thet the US currency may have turned, after a nine month fall.

Two dollar bloc currencies that profited from the firmer dollar, and favourable market perceptions of domestic monetary policy, were the Australian and New Zealand dollars.

Elsewhere, the Bundesbank council left official interest rates, and the repo rate, unchanged.

Sterling continued to weaken against the firmer dollar, closing at \$1.5968 from \$1.6036. Against the D-Mark, it finished at DM2.4506 from DM2.4534.

■ With US markets closed today, traders are not expecting any sharp moves in the dollar ahead of the important Federal Open Markets Committee meeting on Tuesday.

There is increasing optimism, however, that a decisive increase in interest rates at the meeting could confirm an upward trend for the dollar. Mr Tim Stewart, currency strategist at Morgan Stanley, commented: "Seotiment has definitely turned over the past week. The Fed has an opportunity to put one more piece of the puzzle in place."

"I don't think positions have yet changed to match the change in sentiment, but the dollar is certainly vulnerable to good news," said Mr Stewart. He said he would be much more confideot if he believed the Fed would lift interest rates by more than 50 basis points. "If it raises by only 50 basis points, the dollar will still be vulnerable to strong data."

Mr Malcolm Barr, international economist at Chemical Bank in London, said: "The electioo result impacted on a market that had already gone too far. We think the dollar has bottomed. It will take something fundamental for this market to reverse its direction and go to the downside again."

He said the dollar should reach DM1.57-1.60 on a three month view. Chemical Bank is expecting the Fed to raise interest rates by 150 basis points by the end of the first quarter of 1995.

Mr Nick Parsons, treasury economist at CIBC in London, also said the first signs of a change in the dollar's treod had emerged. "The whole sentiment seems to have changed from selling on rallies to buying on dips."

Mr Parsons said a graph showing the difference betweeo the \$/D-Mark rate, and \$/£ (cable), was a good proxy for dollar sentiment. From a high of nearly thirty units, in late January, this gap had shrunk to minus fourteeo units on October 25. Since then the trend has reversed, breaking through the trend line. He ventured that if the Fed were to interveoe again oow, supporting rather than opposing the market, "it could firmly and conclusively establish that the dollar has turned."

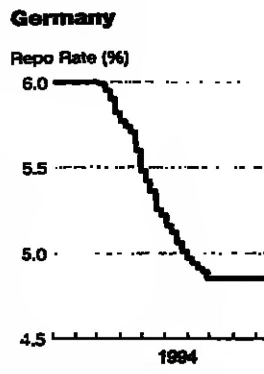
■ UK cash interest rates softened markedly following the large net injection of funds into the mooey market at the two-weekly gilt repo oo Wednesday. One week money was offered at 5¼ per cent, from just under 5¾ per cent before the repo. Ooe month money was offered at 5 11/16 per cent, also down from 5¾ per cent before the repo.

Overnigbt money was also easy, as the Bank of England cleared a small £250m shortage at established rates. It traded between 4 and 5¼ per cent. In recent weeks, daily shortages have often been above £1bn, with a high portion of liquidity provided in the form of late assistance.

Mr Parsons said that up to one month out, lending rates were below the current base rate of 5¾ per cent.

■ In Europe, the Swedish krona appreciated to SKr4.769 against the D-Mark, from SKr4.81, buoyed by optimism about a yes vote in Sunday's referendum on joining the EU.

The Italian lira was also firmer, at L1,024 against the D-Mark, from L1,027.



Source: FT Graphite

■ Pound in New York

Nov 10	Latest	Prev. close
£ spot	1.6000	1.6055
1 mth	1.5994	1.6050
3 mth	1.5989	1.6045
1 yr	1.5916	1.5974

■ OTHER CURRENCIES

Nov 10	£	$
Hungary	173.987 - 174.207	108.950 - 109.080
Iran	2833.00 - 2806.00	1748.00 - 1750.00
Kuwait	0.4767 - 0.4777	0.2986 - 0.2991
Poland	37461.9 - 37553.5	23465.0 - 23515.0
Russia	4963.20 - 4374.00	3112.00 - 3115.00
U.A.E.	5.8720 - 5.8837	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2649	+0.0027	582 - 718	17.3050	17.2245	17.2606	0.3	17.2487	0.4	-	-	115.2
Belgium	(BFr)	50.4573	+0.0225	334 - 812	50.5940	50.3430	50.4273	0.7	50.3573	0.8	50.2173	0.5	116.8
Denmark	(DKr)	9.5831	-0.032	800 - 862	9.6267	9.5770	9.5807	0.3	9.5954	-0.5	9.575	0.1	117.1
Finland	(FM)	7.4704	+0.0567	612 - 795	7.5470	7.4570	-	-	-	-	-	-	89.0
France	(FFr)	8.4225	-0.011	199 - 250	8.4525	8.4070	8.4203	0.3	8.4126	0.5	8.3445	0.9	110.0
Germany	(DM)	2.4506	+0.0028	498 - 514	2.4591	2.4459	2.4492	0.7	2.4451	0.8	2.4128	1.5	126.3
Greece	(Dr)	378.111	+0.154	892 - 329	378.908	376.536	-	-	-	-	-	-	-
Ireland	(I£)	1.0191	-0.0018	184 - 187	1.0201	1.0161	1.0189	0.2	1.0185	0.2	1.0204	-0.1	104.9
Italy	(L)	2510.09	-8.97	810 - 208	2524.40	2506.32	2515.69	-2.7	2527.09	-2.7	2577.59	-2.7	74.3
Luxembourg	(LFr)	50.4573	-0.0225	334 - 812	50.5940	50.3430	50.4273	0.7	50.3573	0.8	50.2173	0.5	116.8
Netherlands	(Fl)	2.7484	-0.0006	471 - 496	2.7579	2.7445	2.7469	0.8	2.7426	0.8	2.7081	1.5	120.8
Norway	(NKr)	10.7334	+0.0148	293 - 374	10.8174	10.6872	10.7334	0.0	10.7351	-0.1	10.734	0.0	85.7
Portugal	(Es)	249.740	-0.815	661 - 819	252.573	249.443	251.47	-8.3	254.65	-7.8	-	-	-
Spain	(Pta)	203.793	-0.7	713 - 873	204.814	203.554	204.123	-1.9	208.978	-10.2	207.403	-1.8	85.9
Sweden	(SKr)	11.6854	+0.1102	763 - 945	11.8485	11.6621	11.7044	-2.0	11.7469	-2.1	11.8914	-1.8	76.0
Switzerland	(SFr)	2.0542	-	531 - 553	2.0618	2.0528	2.0511	1.8	2.0437	2.1	2.0014	2.6	121.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.2875	-0.0024	868 - 882	1.2918	1.2857	1.2875	0.0	1.2876	0.0	1.282	0.4	-
SDR†	-	0.920177	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5959	-0.0058	955 - 962	1.6074	1.5935	-	-	-	-	-	-	-
Brazil	(R)	1.3341	+0.0023	331 - 351	1.3390	1.3310	-	-	-	-	-	-	-
Canada	(C$)	2.1683	-0.0008	676 - 690	2.1845	2.1640	2.1673	0.6	2.168	0.4	2.1646	0.2	86.9
Mexico	(New Peso)	5.4921	-0.0025	888 - 953	5.5182	5.4885	-	-	-	-	-	-	-
USA	($)	1.5968	-0.0068	965 - 970	1.6088	1.5945	1.5963	0.4	1.5957	0.3	1.5885	0.5	61.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1173	-0.0048	163 - 183	2.1336	2.1125	2.1184	-1.2	2.1221	-0.9	2.136	-0.9	-
Hong Kong	(HK$)	12.3405	-0.0525	378 - 432	12.4330	12.3229	12.3315	0.9	12.3272	0.4	12.282	0.5	-
India	(Rs)	50.1919	-0.1817	780 - 057	50.5690	50.1100	-	-	-	-	-	-	-
Japan	(Y)	156.546	-0.266	457 - 634	157.180	156.240	156.096	3.4	155.081	3.7	149.956	4.2	189.9
Malaysia	(M$)	4.0898	-0.0137	883 - 912	4.1168	4.0618	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5709	-0.0041	684 - 733	2.5940	2.5640	2.5756	-2.2	2.5848	-2.2	2.6047	-1.3	-
Philippines	(Peso)	38.7212	+0.7972	353 - 071	38.8090	38.6400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9890	-0.0254	877 - 902	6.0338	5.9800	-	-	-	-	-	-	-
Singapore	(S$)	2.3497	-0.0038	485 - 508	2.3636	2.3450	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6298	-0.0039	277 - 318	5.6634	5.6174	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5323	+0.0459	153 - 493	6.5823	6.5050	-	-	-	-	-	-	-
South Korea	(Won)	1272.53	-5.28	225 - 281	1282.05	1270.50	-	-	-	-	-	-	-
Taiwan	(T$)	41.6608	-0.1354	495 - 721	41.9704	41.5953	-	-	-	-	-	-	-
Thailand	(Bt)	39.8709	-0.1457	486 - 931	40.1400	39.8100	-	-	-	-	-	-	-

†SDR rates for Nov 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.8125	-0.0475	100 - 150	10.8175	10.7385	10.8125	0.0	10.8123	0.0	10.7375	0.7	104.5
Belgium	(BFr)	31.6000	-0.12	900 - 100	31.6100	31.4040	31.6025	-0.1	31.56	0.5	31.46	0.4	106.0
Denmark	(DKr)	6.0018	-0.0055	008 - 026	6.0110	5.9740	6.0056	-0.8	6.0141	-0.8	6.0526	-0.8	105.4
Finland	(FM)	4.6785	+0.0155	735 - 835	4.6962	4.6619	4.6792	-0.2	4.676	0.2	4.6725	0.1	83.0
France	(FFr)	5.2748	-0.0155	740 - 755	5.2760	5.2430	5.2761	-0.3	5.2737	0.1	5.2615	0.3	106.2
Germany	(D)	1.5348	+0.0048	345 - 350	1.5360	1.5253	1.5344	0.3	1.5323	0.6	1.5195	1.0	107.2
Greece	(Dr)	236.800	+1.1	700 - 900	237.000	234.500	237.07	-1.4	237.625	-1.4	239.875	-1.3	68.4
Ireland	(I£)	1.5670	-0.0094	662 - 677	1.5811	1.5660	1.5669	0.0	1.5671	0.0	1.554	0.8	-
Italy	(L)	1572.00	-0.45	100 - 300	1573.25	1567.00	1576.25	-3.2	1584	-3.1	1624.5	-3.3	74.5
Luxembourg	(LFr)	31.6000	+0.12	900 - 100	31.6100	31.4040	31.6025	-0.1	31.56	0.5	31.45	0.4	106.0
Netherlands	(Fl)	1.7212	+0.0069	207 - 217	1.7220	1.7111	1.7212	0.0	1.7192	0.5	1.7077	0.8	105.7
Norway	(NKr)	6.7220	+0.0377	205 - 235	6.7627	6.6471	6.7247	-0.5	6.7375	-0.9	6.7695	-0.7	96.3
Portugal	(Es)	156.405	-0.155	380 - 430	157.200	155.610	157.03	-4.8	158.155	-4.5	162.655	-4.0	95.2
Spain	(Pta)	127.630	+0.105	600 - 660	127.700	126.970	127.96	-3.1	128.625	-3.1	131.24	-2.8	80.8
Sweden	(SKr)	7.3183	-0.0377	137 - 228	7.3727	7.2779	7.3331	-2.4	7.3623	-2.4	7.5023	-2.5	80.8
Switzerland	(SFr)	1.2865	-0.0055	860 - 870	1.2870	1.2762	1.2853	1.2	1.2812	1.6	1.2623	1.9	107.8
UK	(£)	1.5968	+0.0068	965 - 970	1.6088	1.5945	1.5963	0.4	1.5957	0.3	1.5885	0.5	89.1
Ecu	-	1.2402	-0.003	397 - 407	1.2470	1.2297	1.2397	0.5	1.2296	0.2	1.2392	0.1	-
SDR†	-	1.47532	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	+0.0006	994 - 995	0.9995	0.9990	-	-	-	-	-	-	-
Brazil	(R)	0.8355	+0.005	350 - 360	0.8360	0.8310	-	-	-	-	-	-	-
Canada	(C$)	1.3580	+0.0053	577 - 582	1.3590	1.3557	1.3577	0.2	1.3574	0.2	1.363	-0.4	83.8
Mexico	(New Peso)	3.4395	+0.013	380 - 410	3.4440	3.4350	3.4405	+0.3	3.4423	-0.3	3.4497	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3260	+0.0026	256 - 264	1.3275	1.3238	1.3262	-0.2	1.3269	-0.3	1.3343	-0.6	88.0
Hong Kong	(HK$)	7.7285	-	280 - 290	7.7290	7.7280	7.7265	0.3	7.7261	0.1	7.734	-0.1	-
India	(Rs)	31.4338	+0.0138	300 - 375	31.4500	31.4225	31.5188	-3.2	31.6638	-2.9	-	-	-
Japan	(Y)	98.0400	+0.25	000 - 800	98.1000	97.6200	97.79	3.1	97.19	3.5	94.425	3.7	150.6
Malaysia	(M$)	2.5613	+0.0023	608 - 618	2.5625	2.5575	2.5521	4.3	2.5408	3.2	2.6143	-2.1	-
New Zealand	(NZ$)	1.6101	+0.0043	088 - 113	1.6142	1.6005	1.6111	-0.7	1.6129	-0.7	1.6162	-0.5	-
Philippines	(Peso)	24.2500	+0.8	000 - 000	24.3000	24.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-	505 - 509	3.7510	3.7505	3.752	-0.4	3.7561	-0.6	3.7747	-0.6	-
Singapore	(S$)	1.4715	-0.0038	710 - 720	1.4730	1.4667	1.4692	1.9	1.4644	1.9	1.447	1.7	-
S Africa (Com.)	(R)	3.5258	+0.0125	250 - 265	3.5270	3.5125	3.5404	-5.0	3.572	-5.2	3.7311	-5.8	-
S Africa (Fin.)	(R)	4.0910	+0.046	810 - 010	4.1010	4.0550	4.1135	-6.6	4.161	-6.8	4.396	-7.5	-
South Korea	(Won)	796.950	+0.1	900 - 000	797.200	796.800	799.95	-4.5	803.45	-3.3	821.95	-3.1	-
Taiwan	(T$)	26.0910	-0.0262	880 - 940	26.0950	26.0880	26.111	-0.9	26.151	-0.9	-	-	-
Thailand	(Bt)	24.9700	+0.015	600 - 800	24.9800	24.9500	25.0425	-3.5	25.17	-3.2	25.65	-2.7	-

†SDR rate for Nov 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 9. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	4⅞	5⅛	5½	6⅛	7.40	4.50	-
week ago	4⅞	4⅞	5¼	5⅝	6⅛	7.40	4.50	-
France	5⅝	5⅞	5⅝	5⅞	6⅛	5.00	-	4.75
week ago	5⅝	5⅜	5⅝	5⅞	6⅛	5.00	-	6.75
Germany	4.90	4.95	5.15	5.25	5.60	6.00	4.50	4.85
week ago	4.93	4.95	5.15	5.25	5.60	6.00	4.50	4.85
Ireland	5⅛	5¾	5¾	6¼	7⅛	-	-	6.25
week ago	5⅛	5¾	5¾	6⅛	7⅛	-	-	6.25
Italy	8⅛	8¾	8⅞	8	9⅞	-	7.50	8.25
week ago	8⅛	8¾	8¾	8¾	10⅛	-	7.50	8.20
Netherlands	4.84	5.05	5.24	5.36	5.76	-	5.25	-
week ago	4.84	5.05	5.24	5.36	5.76	-	5.25	-
Switzerland	3⅝	3⅞	4	4⅛	4⅞	6.625	3.50	-
week ago	3⅞	3⅞	4⅛	4⅛	4¾	6.625	3.50	-
US	4⅞	5⅛	5⅝	6⅛	6⅞	-	4.00	-
week ago	4⅞	5⅛	5⅞	5⅞	6⅜	-	4.00	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅜	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¾	5⅞	6⅛	6⅝	-	-	-
week ago	-	5⅝	5¾	6⅛	6⅝	-	-	-
US Dollar CDs	-	5.18	5.50	5.88	6.50	-	-	-
week ago	-	5.18	5.39	5.78	6.45	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3¾	4	-	-	-
week ago	-	3⅝	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 - 4⅞	5¼ - 5⅛	5 9/16 - 5 7/16	6⅜ - 6¼
Danish Krone	5½ - 5¼	5¾ - 5½	6⅛ - 5⅞	6⅝ - 6⅜	7 - 6¾	7⅜ - 7⅛
D-Mark	5 - 4⅞	5 - 4⅞	4 15/16 - 4 13/16	5 3/16 - 5 1/16	5¼ - 5⅛	5 9/16 - 5 7/16
Dutch Guilder	5 - 4⅞	5 1/16 - 4 15/16	5⅛ - 5	5¼ - 5⅛	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅝ - 5½	5⅞ - 5¾	6⅜ - 6¼
Portuguese Esc.	8½ - 8¼	8¾ - 8½	9¼ - 8	10 - 9¾	10¼ - 10	10½ - 10¼
Spanish Peseta	7 9/16 - 7 7/16	7⅝ - 7½	7⅝ - 7½	7 15/16 - 7 13/16	8⅜ - 8¼	9⅛ - 9
Sterling	4¾ - 4½	5⅛ - 4⅞	5 11/16 - 5 9/16	6 1/16 - 5 15/16	6 7/16 - 6 5/16	7 5/16 - 7 3/16
Swiss Franc	3 9/16 - 3 7/16	3 9/16 - 3 7/16	3⅝ - 3½	4 - 3⅞	4⅛ - 4	4½ - 4⅜
Can. Dollar	5 1/16 - 4 15/16	5⅛ - 4⅞	5 3/16 - 5 1/16	5⅝ - 5½	6¼ - 6⅛	7⅛ - 7
US Dollar	4¾ - 4⅝	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 13/16 - 5 11/16	6⅛ - 6	6⅝ - 6½
Italian Lira	9 - 7½	8⅝ - 8¼	8¼ - 8⅛	8 13/16 - 8 9/16	9 - 8⅞	9 13/16 - 9 11/16
Yen	2 5/16 - 2⅛	2 3/16 - 2⅛	2 3/16 - 2⅛	2 13/16 - 2 11/16	2 15/16 - 2 13/16	2 15/16 - 2 13/16
Asian $Sing	2⅞ - 2¾	3 1/16 - 2 15/16	3¼ - 3⅛	3½ - 3⅜	3¾ - 3⅝	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.26	94.27	-	94.28	94.25	10,143	48,619
Mar	93.82	93.84	+0.01	93.88	93.81	9,934	37,231
Jun	93.40	93.44	+0.02	93.46	93.40	5,533	30,449
Sep	93.06	93.11	+0.03	93.12	93.06	3,337	20,834

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	94.00	+0.05	-	-	0	2485
Mar	-	93.51	+0.04	-	-	0	1388
Jun	-	93.04	+0.06	-	-	0	354
Sep	-	92.67	+0.06	-	-	0	81

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.84	94.84	-	94.85	94.82	22889	144778
Mar	94.57	94.63	+0.06	94.64	94.56	52850	167839
Jun	94.22	94.29	+0.06	94.32	94.21	35991	114697
Sep	93.84	93.90	+0.05	93.92	93.83	15459	79648

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.12	91.22	+0.08	91.23	91.12	5808	33809
Mar	90.48	90.62	+0.11	90.63	90.47	5132	33395
Jun	89.96	90.06	+0.12	90.09	89.91	1623	16145
Sep	89.52	89.62	+0.13	89.63	89.48	737	21285

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.94	95.96	+0.03	95.97	95.93	1722	19807
Mar	95.66	95.71	+0.05	95.72	95.66	3543	19788
Jun	95.33	95.37	+0.06	95.38	95.32	520	4988
Sep	94.98	95.02	+0.05	95.04	94.98	405	2141

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.97	93.99	+0.02	93.99	93.95	1517	8717
Mar	93.55	93.62	+0.07	93.65	93.55	1618	7433
Jun	93.06	93.12	+0.06	93.15	93.05	423	4149
Sep	92.57	92.63	+0.06	92.66	92.57	487	2484

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.99	16.69	4.857	2.019	4974	5.446	21.26	494.8	403.8	23.17	4.071	1.982	4.296	3.165	310.3	2.553
Denmark	(DKr)	52.66	10	8.790	2.558	1.063	2618	2.868	11.20	260.6	212.7	12.20	2.143	1.044	2.262	1.666	163.4	1.344
France	(FFr)	59.91	11.38	10	2.910	1.210	2980	3.262	12.74	296.5	242.0	13.88	2.439	1.187	2.574	1.896	185.8	1.529
Germany	(DM)	20.59	3.910	3.437	1	0.416	1024	1.121	4.378	101.9	83.15	4.769	0.838	0.408	0.885	0.652	63.89	0.525
Ireland	(I£)	49.52	9.404	8.266	2.405	1	2463	2.697	10.53	245.0	200.0	11.47	2.016	0.981	2.128	1.567	153.7	1.264
Italy	(L)	2.010	0.382	0.336	0.098	0.041	100.	0.109	0.427	9.948	8.120	0.466	0.082	0.040	0.086	0.064	6.239	0.051
Netherlands	(Fl)	18.36	3.487	3.065	0.892	0.371	913.4	1	3.905	90.87	74.18	4.254	0.747	0.364	0.789	0.581	56.99	0.469
Norway	(NKr)	47.03	8.931	7.850	2.284	0.950	2339	2.561	10	232.7	189.9	10.89	1.914	0.932	2.021	1.486	145.9	1.200
Portugal	(Es)	20.21	3.838	3.373	0.982	0.408	1005	1.101	4.297	100.	81.62	4.682	0.823	0.400	0.868	0.640	62.72	0.516
Spain	(Pta)	24.76	4.702	4.133	1.203	0.500	1232	1.348	5.265	122.5	100.	5.736	1.008	0.491	1.064	0.784	76.84	0.632
Sweden	(SKr)	43.17	8.198	7.205	2.097	0.872	2147	2.351	9.179	213.6	174.3	10	1.757	0.855	1.855	1.366	134.0	1.102
Switzerland	(SFr)	24.57	4.666	4.101	1.193	0.496	1222	1.338	5.224	121.8	99.22	5.691	1	0.487	1.056	0.778	76.24	0.627
UK	(£)	50.46	8.583	8.423	2.451	1.018	2510	2.748	10.73	249.7	203.8	11.69	2.054	1	2.168	1.597	156.8	1.288
Canada	(C$)	23.27	4.420	3.885	1.131	0.470	1158	1.268	4.949	115.2	94.00	5.392	0.947	0.461	1	0.737	72.23	0.594
US	($)	31.60	6.001	5.274	1.535	0.638	1572	1.721	6.718	156.4	127.8	7.320	1.286	0.626	1.358	1	98.06	0.807
Japan	(Y)	32.22	6.118	5.379	1.565	0.651	1603	1.755	6.852	159.5	130.1	7.465	1.312	0.639	1.384	1.020	100.	0.822
Ecu		39.18	7.440	6.540	1.903	0.791	1949	2.134	8.331	193.8	158.2	9.076	1.595	0.776	1.683	1.240	121.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6550	0.6538	-0.0006	0.6558	0.6536	51,462	88,535
Mar	0.6555	0.6550	-0.0006	0.6570	0.6550	692	6,138
Jun	-	0.6582	-	0.6582	-	1	1,257

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0258	1.0262	+0.0012	1.0279	1.0255	27,405	67,357
Mar	1.0357	1.0345	+0.0009	1.0362	1.0345	364	8,377
Jun	-	1.0442	-	-	-	8	715

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7808	0.7802	-0.0006	0.7836	0.7785	29,151	41,349
Mar	0.7843	0.7835	-0.0012	0.7867	0.7831	485	2,243
Jun	0.7900	0.7900	-	0.7903	0.7900	3	195

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6054	1.6026	+0.0004	1.6080	1.6020	18,300	50,003
Mar	1.6050	1.6010	-	1.6060	1.6002	232	714
Jun	-	1.6000	-	1.6020	-	2	17

UK INTEREST RATES

LONDON MONEY RATES

Nov 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 4	5⅜ - 5	5 11/16 - 5 7/16	6 1/16 - 5 15/16	6⅜ - 6⅛	7⅜ - 7¼
Sterling CDs	-	-	5 9/16 - 5 7/16	6 - 5⅞	6 7/16 - 6 5/16	7¼ - 7⅛
Treasury Bills	-	-	5⅜ - 5¼	5 15/16 - 5 13/16	-	-
Bank Bills	-	-	5⅝ - 5½	5 15/16 - 5 13/16	6 7/16 - 6 5/16	-
Local authority deps.	5¼ - 4 13/16	5⅜ - 5¼	5 9/16 - 5 7/16	5 15/16 - 5 13/16	6⅜ - 6¼	7 5/16 - 7 3/16
Discount Market deps	5 - 4½	5 1/16 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 5.4342pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.966pc. Finance House Base Rate 6pc from Nov 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.61	+0.01	93.64	93.56	16738	142246
Mar	92.77	92.81	+0.01	92.84	92.74	21017	78014
Jun	92.18	92.22	+0.01	92.26	92.15	7252	59471
Sep	91.77	91.81	+0.01	91.84	91.75	8154	56799

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.18	0.06	0.06	0.03	0.75	1.34
9375	0.06	0.02	0.03	0.20	0.96	1.56
9400	0.01	0	0.02	0.40	1.19	1.80

Est. vol. total, Calls 5263 Puts 8162. Previous day's open int., Calls 348052 Puts 213522

EMS EUROPEAN CURRENCY UNIT RATES

Nov 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14711	-0.00088	-2.26	5.69	-
Belgium	40.2123	39.4030	-0.0134	-2.01	5.42	15
Germany	1.94964	1.91448	+0.00041	-1.81	5.20	-
Ireland	0.808628	0.794511	+0.001323	-1.75	5.14	12
France	6.53883	6.58045	-0.00094	0.64	2.65	-5
Denmark	7.43679	7.49489	-0.00721	0.78	2.50	-5
Portugal	192.854	195.268	-0.29	1.25	2.02	-8
Spain	154.250	159.343	-0.113	3.30	0.00	-23
NON ERM MEMBERS						
Greece	264.518	294.991	+0.027	11.52	-7.37	-
Italy	1793.18	1968.65	-0.29	8.67	-5.81	-
UK	0.786748	0.780472	+0.000042	-0.80	4.18	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.550	5.26	5.48	5.87	-	0.23	0.84
1.575	2.76	3.45	4.04	-	0.66	1.29
1.600	0.57	1.81	2.55	0.18	1.57	2.27
1.625	0.01	0.89	1.54	2.04	3.00	3.64
1.650	-	0.35	0.84	4.47	4.93	5.41
1.675	-	0.10	0.41	6.97	7.17	7.46

Previous day's vol. Calls 8,361 Puts 13,046. Prev. day's open int., Calls 432,786 Puts 432,027

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.94	94.00	+0.06	94.01	93.91	70,163	411,120
Mar	93.46	93.52	+0.06	93.53	93.43	121,544	417,116
Jun	92.97	93.03	+0.05	93.05	92.93	80,567	304,061

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.53	94.59	+0.05	94.59	94.52	677	17,679
Mar	94.03	94.07	+0.06	94.08	94.01	133	10,052
Jun	-	93.59	-	93.59	93.52	18	5,937

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9475	0.10	0.12	0.08	0.13	0.01	0.03	0.20	0.25
9500	0.01	0.02	0.03	0.05	0.17	0.16	0.40	0.42
9525	0	0	0.01	0.02	0.41	0.41	0.63	0.64

Est. vol. total, Calls 6930 Puts 9348. Previous day's open int., Calls 221905 Puts 198470

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9575	0.30	0.15	0.11	0.09	0.20	0.49
9600	0.04	0.09	0.05	0.06	0.35	0.68
9625	0.01	0.02	0.02	0.30	0.56	0.90

Est. vol. total, Calls 50 Puts 50. Previous day's open int., Calls 2815 Puts 1695

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	5.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75	● Members of London Investment Banking Association	
Citibank NA	5.75	Lloyds Bank	5.75	* In administration	
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

هكذا من الأصل

هكذا من الأرشيف

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 10 / Sch)

BELGIUM/LUXEMBOURG (Nov 10 / Frs.)

DENMARK (Nov 10 / Kr)

FINLAND (Nov 10 / Mka)

FRANCE (Nov 10 / Frs.)

GERMANY (Nov 10 / Dm.)

ITALY (Nov 10 / Lire)

NETHERLANDS (Nov 10 / Fls.)

NORWAY (Nov 10 / Kroner)

SPAIN (Nov 10 / Pts.)

SWEDEN (Nov 10 / Kronor)

SWITZERLAND (Nov 10 / Frs.)

PACIFIC

JAPAN (Nov 10 / Yen)

HONG KONG (Nov 10 / H.K.$)

MALAYSIA (Nov 10 / MYR)

SINGAPORE (Nov 10 / S$)

AUSTRALIA (Nov 10 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Nov 10 / Can $) 4 pm close

MONTREAL (Nov 10 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Nov 10 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Thursday, November 10, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	8.0m	745	-7	NKK	3.7m	277	-3
Nippon Steel	6.6m	361	-3	Nomura Secs	3.6m	1880	-70
Kawasaki Steel	6.3m	429	-6	Toshiba	3.4m	722	+3
Nichido F&M Ins	5.2m	834	-11	Toray Inds	2.7m	758	+5
Sumitomo Mtl	4.9m	342	+2	Hitachi	2.5m	964	+1

INDICES

	Nov 10	Nov 9	Nov 8	1994 High		1994 Low	
India BSE Sens.(1979)	4138.73	4205.63	4295.89	4659.57	12/9	3464.09	5/1
Indonesia Jakarta Comp.(10/8/82)	513.91	515.12	515.80	612.89	5/1	449.72	12/7
Ireland ISEQ Overall(4/1/88)	1624.80	1633.22	1628.66	2062.16	20/1	1694.14	1/7
Italy Banca Comm Ital (1972)	638.17	630.88	620.15	817.17	10/5	586.85	10/1
MIB General (4/1/94)	1020.0	1020.0	1003.0	1318.00	18/5	944.00	10/1
Japan Nikkei 225 (16/5/49)	19264.85	19425.88	19600.02	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	278.40	280.83	283.92	311.71	13/6	258.22	4/1
Topix (4/1/68)	1520.03	1533.28	1520.27	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2121.46	2134.81	2171.36	2642.85	8/7	1873.33	4/1
Malaysia KLSE Comp.(4/4/86)	1030.85	1051.61	1057.96	1314.46	5/1	928.33	4/4

	Nov 10	Nov 9	Nov 8	1994 High		1994 Low	
WORLD MS Capital Int (1/1/70)§	627.4*	628.6	631.7	649.90	2/11	591.60	4/4
CROSS-BORDER Eurotrack 100(26/10/90)	1345.52	1345.14	1324.29	1540.19	31/1	1286.48	5/10
Euro Top-100 (26/6/90)	1183.11	1191.96	1173.56	1311.01	2/2	1136.48	5/10
JCapelDrgns (31/12/88)	(u)	335.77	335.67	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	181.81	182.70	182.12	191.79	26/9	141.65	21/4

** Sat Nov 5 : Taiwan Weighted Price 6372.21; Korea Comp Ex 1126.01. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 10 - 2068.04 +7.28

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	1948.0	1956.0	+8.0	1959.0	1935.0	21,904	23,026
Dec	1953.5	1964.5	+8.0	1966.5	1946.5	317	26,071
Mar	1979.0	1972.5	+8.0	1979.0	1979.0	1	50

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 9	Nov 8	Nov 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3831.75	3830.74	3806.87	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.67	94.54	94.63	105.61 (21/1)	94.54 (7/11)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1487.17	1491.82	1492.06	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.43	179.41	178.82	227.06 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3862.89 (3857.65) Low 3798.44 (3795.75) (Theoretical♠)
Day's high 3868.78 (3848.55) Low 3810.55 (3806.85) (Actual♠)

Standard and Poors	Nov 9	Nov 8	Nov 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	465.40	465.65	463.07	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	554.02	553.79	550.15	563.10 (28/10)	510.05 (21/4)	563.16 (28/10/94)	3.62 (21/6/32)
Financial	42.88	43.00	42.91	48.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	255.01	255.28	254.29	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	451.25	451.05	450.41	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	767.25	767.54	762.31	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Nov 4	Oct 28	Oct 21	Year ago
Dow Jones Ind. Div. Yield	2.78	2.70	2.72	2.80
	Nov 8	Nov 2	Oct 26	Year ago
S & P Ind Div. yield	2.39	2.39	2.39	2.41
S & P Ind. P/E ratio	20.93	20.95	20.82	28.61

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	465.90	467.40	+1.80	467.80	465.15	100,268	211,290
Mar	470.60	470.60	+1.80	470.60	470.60	3,738	22,242
Jun	-	474.45	-	474.45	-	46	3,847

Open interest figures are for previous day

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Santa Fe	5,846,700	16	+1¼
Merck	5,117,100	36⅝	+1⅛
Telefonos	4,270,200	56	-1
Wal-Mart	5,182,200	24	+¼
Gen Motors	3,543,000	38⅞	-⅜
Boston Sci	3,376,800	16¼	-½
Walt Disney	3,358,000	42½	+1½
Int Game	3,211,100	18⅞	-1⅜
Ford Motor	3,191,300	28⅝	-⅜
Compaq	3,014,400	39⅝	+⅜

TRADING ACTIVITY

● Volume (million)	Nov 9	Nov 8	Nov 7
New York SE	337.783	289.057	255.021
Amex	16.175	16.853	14.951
NASDAQ	282.383	269.086	223.542
NYSE			
Issues Traded	2,911	2,897	2,902
Rises	993	1,107	824
Falls	1,199	1,038	1,379
Unchanged	710	752	699
New Highs	33	27	18
New Lows	169	292	770

† Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close November 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	12⅛	AAR	0.48	3.8	20	28	12½	12⅜	12½	
10	12⅝	A L Labs A	0.18	1.0	41	227	u18	17⅝	17¾	
79⅜	57⅝	AMP 4	1.68	2.3	29	1075	74⅞	74¼	74½	-⅛
72¾	48⅛	AMR			88	4921	51½	50⅛	50⅜	-½
5	3⅜	ARX			12	96	3⅞	3¾	3¾	-⅛
65⅛	38⅝	ASA	2.00	4.1	32	504	48⅝	48½	48½	+⅛
32⅛	25⅞	AbbtL	0.78	2.4	19	11013	u32⅝	32	32⅛	
15¼	11⅛	AbitibiPr	0.50	3.9	11	331	12⅞	12⅝	12¾	
23⅝	17¾	ABM Ind	0.52	2.5		6	20⅝	20½	20½	-⅛
10	11⅛	Acpincoln			27	1483	16	14⅞	14⅞	-⅛
31	22	ACE Ltd	0.44	1.9	29	522	23⅝	23⅜	23⅛x	
12½	9⅛	ACM Gvt In x	1.08	11.8		30	9⅜	9¼	6¼	
10¼	6⅞	ACM GrOpp x	0.08	11.4		41	7	7	7	
18⅝	6⅞	ACM Gvt Sp x	0.96	13.7		327	7	6⅞	7	+⅛
12	7⅞	ACM Gvt Sc x	1.08	13.9		498	0	7⅞	7⅞	-⅛
11¾	7⅞	ACM Mtn x	1.00	14.2		329	7¼	7½	7⅞	
9¼	0	ACM Managd x	0.72	8.9		30	8⅛	8⅛	9⅛	
15½	8¾	AcmeCh x	0.44	3.7	14	958	11⅞	11¼	11¾	+⅛
13⅝	6½	Acme Elect			11	40	11½	10⅞	11	
28¼	23	Acordia	0.60	2.2	14	53	28	27⅞	27⅞	+⅛
13¾	5¾	Actava	0.36	3.7	2	100	10	8¾	9¾	-⅛
18⅜	11¼	Acuson			128	577	17⅜	16¾	16¾	-¾
18⅞	16½	Adams Expr	0.48	2.5	0	174	17	16⅞	17	+⅛
64	46½	Ad Micro	3.00	5.5		23	55⅜	54⅞	54⅞	-⅞
31¾	18¾	AdvMic	3.00	12.1	10	5234	25⅜	24⅝	24¾	-1½
6⅞	5	Advest Grp	0.18	3.6	0	41	5⅝	5¼	5⅜	
20	15	Advo Inc	0.10	0.5	121	202	18½	17⅞	19¼	+⅞
64	49⅞	Aegon ADR	1.47	2.4	13	20	62¾	61⅞	62⅛	-⅛
65¾	44	Aetnal.	2.76	5.9	8	1176	47⅜	46⅞	46⅞	-⅛
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Financial Times

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NYSE COMPOSITE PRICES

4 pm close November 10

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
49⅞	31⅛	Sallie Mae	1.40	4.1	8	14396	35	33	33¾	+⅞
13⅞	11⅞	Salomon Br	0.36	2.9		577	12¾	12¼	12¼	
82¾	37	Salomon	0.64	1.7	5	3081	38⅛	37½	37⅞	
25	17½	SDgGE	1.52	7.8	10	659	19⅝	19⅛	19½	
18	7½	SantaFeERs	0.18	1.8	18	788	9¼	9⅛	9⅛	-⅛
17⅞	13½	SFeGd				3478	14¼	13⅞	13⅞	-⅜
32⅝	31⅛	SFePPipe	2.80	8.5		31	u33	32⅝	33	+½
26¼	12⅛	SanFeP x	0.16	0.8	8	28327	16⅛	15⅞	16	-⅛
26	19⅜	SaraLee	0.68	2.7	17	12685	25½	24¾	25¼	+⅝
50⅛	42	Scana Corp	2.82	0.7	11	1649	42¼	d41⅞	41⅞	-⅛
20½	12½	Scecrp	1.00	7.3	9	5618	13⅞	13⅝	13⅝	
44⅝	31¾	SchererRP			32	436	42⅛	41½	42	-⅜
73	54½	SchrPl x	2.04	2.8	17	7097	u73⅞	72⅞	73⅝	+⅞
63	50¾	Schlmb	1.20	2.1	23	3491	56¾	56	56⅛	
37	23¾	Schwab(C)	0.28	9.0	18	1309	33¾	33⅛	33½	-¼
10¾	6⅛	Schwitzer			26	107	8¾	9⅛	9⅜	-⅜
22⅝	12¼	SciAtl	0.50	0.3	41	679	21¾	20⅞	20⅞	
16⅜	13	Scotsman	0.10	9.0	18	593	u17⅛	16⅞	17⅛	+⅞
67⅞	37¼	ScottP	0.80	1.2	20	2096	65⅞	66¼	66¼	-⅛
28⅝	18⅝	ScuddrNAsF	0.21	0.9		251	23⅝	23	23¼	-⅛
12⅝	9⅛	ScuddrNEurF	0.18	1.7		67	9½	9⅜	9½	
19¼	13½	SeaCnB x	0.70	4.8	7	z105	14¼	14¼	14¼	
16½	14¼	SeaCt 4625	1.46	10.1		2	14½	14½	14½	
32⅝	26¼	Seagrm	0.68	2.1	35	1979	20	28⅝	28⅝	-⅛
29¾	21⅞	Seagull En			31	728	24	23⅝	23⅝	-½
36¼	26⅝	Sealed Air			26	72	34⅞	34¾	34⅞	+⅛
65⅛	42⅛	SearsR	1.60	3.1	8	45893	32⅞	51½	51⅝	+2¼
13¾	10	Seligm Sel	0.64	6.4		202	10¼	d9⅞	10	-¼
38¼	28	Sensormat	0.22	9.0	36	4670	36⅞	35¼	35¼	-⅞
39¾	23½	SequaA	0.60	2.3	0	145	26	25⅝	25⅝	

- X - Y - Z -

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
112¾	87¼	Xerox	3.00	3.0	61	2075	102¾	105⅞	105⅞	-⅝
53¼	40	Xtra Corp	0.56	1.1	22	292	05	49¾	49¾	-½
25½	20	Yankee Egy	1.22	5.5	12	27	22⅜	22	22	
42½	33⅞	York Int	0.16	0.4	18	379	38⅜	30	28	-⅛
5½	1	Zapata	0.14	3.7		491	4	3¾	3¾	-¼
14⅛	7	ZndEl			8	1872	13⅜	13	13⅛	-⅛
27⅜	20⅝	Zenith Nat	1.00	4.4	8	200	23¼	22⅞	22⅞	-⅜
7⅞	5⅝	Zenix Inc	0.83	12.7		113	6¾	d6½	6½	-⅛
16⅛	11⅞	Zero x	0.40	3.1	15	127	13	12⅞	12⅞	-⅛
29¾	16⅞	Zurn Ind	0.88	5.0	15	334	18⅛	17¾	17¾	-⅛
13⅞	10¼	Zweig Fund	1.08	10.3		256	10⅝	10⅜	10½	
10¾	9⅛	Zweig Tot x	0.94	10.3		549	9¼	d9⅛	9⅛	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close November 10

NASDAQ NATIONAL MARKET

4 pm close November 10

★ FINANCIAL TIMES Friday November 11 1994

AMERICA

Early Dow gain pared as bonds turn

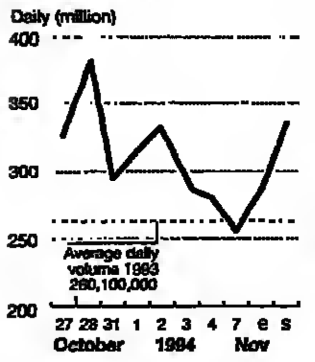
Wall Street

US share prices climbed early yesterday following the release of good inflation data, before falling back as the gains in bond market prices turned flat, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was np 11.78 at 3843.53. The more broadly based Standard & Poor's 500 put on 0.9 at 466.30, while the American Stock Exchange composite eased 0.99 to 450.26 and the Nasdaq composite was off 0.1 at 767.15. Trading volume on the NYSE was 165m shares.

Producer price index figures declined 0.5 per cent in October, exactly matching September's number – most analysts were expecting a 0.1 per cent increase.

However, few economists wavered from their forecasts that the Federal Reserve would tighten monetary policy by raising interest rates by at least 50 basis points at next Tuesday'e open market committee meeting. Analysts said that the positive PPI figures decreased the likelihood that the Fed would make the 100-basis-point increase that some had been anticipating.



Markets were relatively steady, following Wednesday's volatile session which was spurred by uncertainties regarding the economic impact of Republican victories in congressional elections.

Late in the morning session the Dow had risen by nearly 25 points as the 30-year Treasury bond rose, but declined as the long bond fell back to its early morning prices and the dollar fell to its late Wednesday price against the Japanese yen.

Sears, Roebuck shares jumped $2¾ at $51⅞ after the retailer announced its intention to spin off its 80 per cent stake in the insurance subsidiary Allstate next year. Under this plan, Sears shareholders would receive approximately one share in Allstate for each Sears share presently hald. Allstate shares declined $⅝ at $24⅞ on tha news.

Shares in US computer-chip makers declined after an industry report, issned late on Wednesday, indicated that sector growth for October was not as strong as many analysts had predicted. The industry bellwether Intel, traded on the Nasdaq, dropped $⅝ at $60⅞, Texas Instruments lost $2 at $76⅞ and National Semiconductor fell $¼ at $17⅞.

Teléfonos de México declined sharply as analysts downgraded their ratings for the telephone company after Wednesday's announcement that AT & T would team up with the Mexican industrial group, Alfa, to provide long distance service. By midday, Telmex ADRs were down $2⅞ at $53⅞.

Greyhound Lines shares fell $⅛ to $2⅞ on news that the beleaguered bus company had rejected a new reorganisation proposal from its bondholders.

Shares in Caterpillar gained slightly, up $⅝ at $58½ after announcing on Wednesday that it would increase prices of North American machines and engines. Analyets repeated "buy" ratings for the company yesterday morning on the basis of the price increases and a November 17 analyst meeting which is expected to yield positive reports on earnings.

Canada

Toronto stncks continued to languish at lower levels in midday trading. The TSE 300 composite index had lost 8.00 to 4,183.38 in turnover of C$346.72m.

The oil and gas group was off 31.71 at 4,595.07 despite a recovery in oil futures. Talisman Energy dropped C$⅝ to C$28 in volume of 1.02m shares.

Mexico

There was heavy selling in Telmex stock after a number of brokers downgraded the issue following news that AT&T, of the US, was to form a $1bn joint venture with Grupo Alfa, an industrial group, to compete on long-distance routes. Analysts said that the announcement left Telmex without a US partner.

In New York Telmex ADRs were off $1⅞ at $54⅞, while the locally traded "L" shares were down 5 per cent.

Grupo Carso, which owns a controlling stake in Telmex, declined 3.17 per cent.

Brazil

Equities in São Paulo rose 2.2 per cent in light midsession trade after a strong rally on Wednesday.

The Bovespa index was up 1,066 at 49,916 by 1 pm in turnover of R$160.4m ($191.6m).

Telabras moved forward 2.8 per cent to R$43.20.

S Africa in modest loss

Equities in Johannesburg lost momentum as a modest gain in golds was offset by profit-taking among industrials.

The indnetrials index slipped 5 to 6,774, while steadier bullion prices helped the gold shares index to a 7-point rise at 2,170. The overall index eased 1 to 5,848.

Sonth African Breweries was a feature among industrial shares, retreating R2.25 to R99.50 in spite of reporting a 20 per cent increase in profits for the half year to the end of September.

Tiger Oats, the agriculture and foods group, shed 50 cents to R46.50 after reporting a 8 per cent advance to earnings per share in the year to end-September.

Nedcor, the banking group, rose to a new 1994 high of R37.75, up R1.75, after reporting a 28 per cent expansion in earnings. De Beers put on 50 cents at R99.50 and Anglos lost 75 cents at R243.

EUROPE

US data put bourses back on upgrade

After their entbusiastic reaction to the US election results, bourses pulled back a little yesterday morning, as if they had decided to wait for next Tuesday's FOMC meeting and the forecast rise in US interest rates, *writes Our Markets Staff.*

However, the atmosphere changed with the fall of 0.5 per cent in the US producer price index in October, following a similar drop in September. "It is the first back-to-back fall in PPI that we have had in three years," said Mr John Blackley at James Capel yesterday. Capel's economists were etill looking for a US rate increase next week, he added, but there was now a feeling that maybe 50 basis points wnuld be enough.

FRANKFURT's Dax index moved from a session's fall of 14.07 at 2,082.40, through a post-bourse low of around 2,076 to an Ibis-indicated close of 2,098.04. Turnover fell from DM8bn to DM5.7bn.

The main impetus for the afternoon upsurge came from traders who had to cover their short positions earlier in the week; some of them were taking a positive attitude to the market by the end of the day.

Financials did well. Allianz and Deutsche Bank showing gains of DM28 to DM2,408 and DM8.70 to DM759.20 at the end of Ibis trading. Cyclicals were muted or worse, Linde, the engineer, falling DM20.50 to DM895.

FT-SE Actuaries Share Indices

Nov 10								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1340.01	1340.09	1340.59	1339.67	1339.53	1340.73	1344.64	1345.52
FT-SE Eurotrack 200	1401.21	1401.14	1402.35	1401.82	1401.34	1401.62	1405.97	1405.88

	Nov 9	Nov 8	Nov 7	Nov 4	Nov 3
FT-SE Eurotrack 100	1345.14	1324.29	1322.66	1333.72	1325.53
FT-SE Eurotrack 200	1408.36	1384.92	1386.99	1398.55	1393.66

Base 1000 (26/10/90). High/day: 100 - 1345.88 200 - 1407.58 Low/day: 100 - 1338.51 200 - 1399.76 | Partial

Results news was good for Veba, where a 49 per cent jump in profits took the energy based group up DM8.80 to DM522, but bad for Siemens, although it recovered to close just 40 pfennigs down at DM625 after hours. Meanwhile, German newspapers picked up a dated but derogatory story from the US on Schering's BetaSeron prospects, and the pharmaceuticals group dropped DM18.50 to DM960.50.

PARIS remained firm in spite of falling back elightly at the close. The CAC-40 added 4.49 at 1,948.35 in turnover of some FFr4bn.

French financial markets will be closed today for the Armistice Day holiday.

Carrefour, the retailer, went against tbe trend, losing FFr127 or 5 per cent at FFr2,171, as speculation mounted that a report damaging to the group was to be published in one of the domestic newspapers during the session.

In the event no such article appesred and the company said that it planned to ask the stock market authorities to investigate the fall in the share price.

Eurotunnel advanced 2 per cent to FFr20.95 in very high volume as local investors took up positions ahead of the official opening of the Channel tunnel to fare paying rail passengers nn Monday.

ZURICH talked about switcbes as tbe SMI index closed 12.3 higher st 2,602.7. Swiss Re registered rose SFr26 to SFr783 ahead of an analysts' meeting with the company and Zurich Insurance balanced this, to an extent, with a fall of SFr6 to SFr1,235.

Similarly, pharmaceuticals dealers said that investors were moving into Ciba and Sandoz, up SFr15 to SFr764 and SFr6 to SFr867 respectively, and out of Roche certificates, which fell SFr55 to SFr5,890.

AMSTERDAM retreated as overall activity was affected by weakness in Royal Dutch after the oil group reported its third-quarter results. The AEX index dipped 0.80 to 410.74.

Royal Dutch left analysts with contrasting views. There were some who considered that operating income was below expectations, whila others, such as James Capel, believed that they were "pretty solid". Nevertheless, the view of the Dutch investor was to sell on the day, and the shares lost Fl 2.30 at Fl 189.00.

Lehman Brothers commented earlier this week that it was maintaining its overweight position in Dutch equities on the basis that the quality of earnings and dividend growth made the market attractive relative to markets such as Germany, Belgium or Italy.

The one major worry clouding the horizon, said Lehman, remained the market's historic exposure to the US. "Of the main nine European equity markets, the Dutch would be the most vulnerable to the expected correction in US equity prices."

MILAN was supported by domestic strength in bonds as well as external factors which belped the Comit index to a gain of 5.28 at 636.17.

Cir saw one of the best performances, rising L77 to L1,932, with rumours continuing that the group might soon dispose of one of its assets.

In the insurance sector, Fondiaria impressed with a gain of L420 to L11,720 amid various reports thet tha company might launch an offer for the 10 per cent of its subsidiary Fondiaria Assicurazioni that it did not already own.

Credito Romagnolo added L290 at L16,900 on speculation that Cariplo, the savings bank, might launch a counter-offer to the bid announced by Credito Italiano, np L33 at L1,659. Ambroveneto, which is also subject to a takeover bid from BCI, fell L65 to L4,385, while the predator gained L50 at L3,635.

MADRID came back from a day's holiday and reflected two days of gains: the general index, covering the two-day period, rose 5.49 or 1.9 per cent to 299.34; the Ibex, real-time index, traded in Barcelona and Valencia on Wednesday, showed a one-day rise of 25.12 or 0.8 per cent at 3,232.29.

Turnover was Pta36.4bn. Banks, weak in the morning, were no better than mixed at the end of the day, and ADR stocks were only a little better than that on average. The most sizeable gains came from the construction sector, which has tended to exaggerate sentiment: Cubiertas moved ahead Pta450 to Pta8,750, FCC Pta560 to Pta12,790 and Huarte Pta65 to Pta1,460.

Written and edited by William Cochrane and John Pitt

Academic approach to UBS

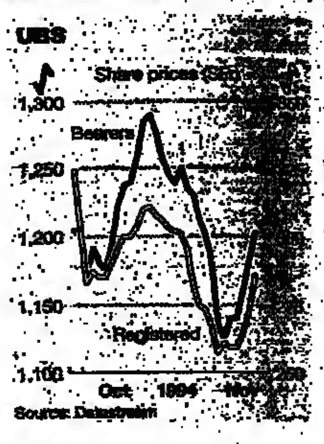
By Ian Rodger in Zurich

Investors have tracked the proxy battle over the future of Union Bank of Switzerland mainly through the premium on the registered shares relative to the bearers.

UBS directors are seeking shareholder approval to convert the registered into bearers at an EGM on November 22. Therefore, the premium should disappear if the directors carry the day.

Since September 29, when the plan was announced, the premium has dropped from 34 per cent to around 13 per cent. But this week, it has moved back up above 16 per cent.

On Tuesday, two Zurich academics, Mr Matthias Denzler and Mr Martin Janssen, suggested looking at a more sophisticated measure. In an article in the Nene Zürcher Zeitung, they pointed out that an investor can buy an EGM vote, so to speak, by purchasing a share and at the same time entering a December contract for its resale.



They traced the net cost of such a vote for a registered share over the past month, finding that it has declined from a peak of SFr9 to around SFr3 per share. Their conclusion: investors now recognise that UBS has enough proxies to win.

They suggested, too, that the 6 per cent slide in the UBS market capitalisation since September 29 reflected the fear that legal rows after the EGM would hurt the bank's profits performance.

ASIA PACIFIC

Nikkei affected by losses in privatised issues

Tokyo

Broadly based selling depressed equities as a decline in speculative stocks and privatised issues prompted arbitrage-linked sales, *writes Emiko Terazono in Tokyo.*

The Nikkel 225 average ended 159.03 lower at 19,264.85 after a day's high of 19,456.69 and low of 19,238.05. Arbitrage selling and etop-loss sales absorbed index-linked buying by trust funds. Individual investors who had bought stocks on margin at their highs in June started to liquidate their positions before the six-month margin settlements in December.

The Topix index of all first section stocks fell 13.25 to 1,520.03 and the Nikkel 300 sank 2.43 to 278.40. Losers led gainers by 737 to 224, with 201 issues unchanged. But in London the ISE/Nikkel 50 index added 2.85 at 1,251.81.

Continued declines in privatised issues also worried investors. Traders said sentiment was worse than indicated by the Nikkei's declines. While the Nikkei 225 was still above the March 31 level of 19,111.92, the Topix index had now stayed below the last fiscal year's close for four consecutive days.

Voluma totalled 292m shares, against 296m. Foreign investors remained inactive, whila public funds, expected to support share prices below 19,000 on the Nikkei, were also absent.

Japan Tobacco lost Y27,000 or 2.7 per cent at Y967,000 and Nippon Telegraph and Telephone alipped Y12,000 to Y851,000 on foreign selling.

Speculative shares bought on the pachinko, or pinball, theme plunged. Nakabayashi, the offica equipment maker, fell Y27 to Y893 and Sailor Pen dropped Y100 to Y734.

Konami, a video game software company, plummeted Y400 or 17 per cent to Y2,010 after it announced thet it was expecting a net loss of Y14.5bn for the current business year.

Brokers were lower, reflecting the current stagnation in the stock market. Nomura Securities dipped Y70 to Y1,860 and Nikko Securities Y40 to Y1,040.

Some electricals were higher. Mitsubishi Electric rose Y5 to Y700 and Toshiba Y3 to Y722.

In Osaka, the OSE average declined 136.11 to 21,329.25 in volume of 17.8m shares. Aoyama Trading, a discount suit retailer, retreated Y400 to Y2,500 after reporting a decline in profits for the six months to September.

Roundup

The Pacific Rim region remained generally nervous ahead of an expected increase in US interest rates next week. Colombo was closed for trading due to a curfew declared in Sri Lanka to avert post-poll violence after Wednesday's presidential election.

SYDNEY declined on offshore selling of leading resources shares as profits were taken following a strong rally in recent months. The All Ordinaries index slipped 11.3 to 1,971.3, in turnover of A$490m.

Economic data which showed the October unemployment level at a three-year low lifted prices for a time, but selling pressure was renewed during the afternoon.

In the mining sector, CRA weakened 16 cents to A$18.20, WMC was down 24 cents at A$6.88 and MIM receded 9 cents to A$2.64.

HONG KONG drifted lower as most investors remained absent in anticipation of a further rise in US interest rates next week.

The Hang Seng index shed 14.72 to 9,390.76 on turnover of HK$1.7bn, compared with HK$2.08bn on Wednesday.

Some dealers noted futures-led arbitrage selling by institutions, helping to dampen the price of Hong Kong Telecom, which fell 20 cents to HK$15.65.

Brokers also commented that there was some buying interest by Jspanese investors and brokerages during the day.

SINGAPORE finished lower, with the Straits Times Industrial index off 14.46 at 2,329.94 in volume of 125.4m shares.

Jurong Shipyard fell 10 cents to S$13.30 and Fraser and Neave 30 cents to S$17, but Cycle and Carriage added 10 cents at S$13.30.

MANILA succumbed to widespread selling, having seen substantial gains in early trading, as the Philippine peso fluctuated wildly on the foreign exchange market.

The composite index fell by 41.67 to 2,968.20, breaching the 3,000 level.

The peso hit a low of 24.80 against the dollar early on, before recovering to 24.30.

BOMBAY fell sharply for a second consecutive day, the BSE 30-share index weakening 64.59 to a provisional 4,141.09 after a 2.1 per cent drop on Wednesday.

Reliance Industries closed Rs8.75 lower at Rs381.25 after being quoted briefly at Rs360 in early trade. Large investors sold following the company's announcement of plans to merge with two of its associates.

BANGKOK's banks and finance houses led the way down as the SET index dropped 24.01 or 1.6 per cent to 1,472.52 in moderate turnover of Bt6.2bn. Banks receded 1.7 per cent, mostly early in the day, and the finance sector retreated 2 per cent.

WELLINGTON drifted back to lose some of its early gains on news that the popular Mr Jim Anderton had resigned as leader of the left-wing Alliance party. The NZSE-40 index ended a net 13.71 up at 2,088.88, having been 25 points ahead in late morning trade.

KUALA LUMPUR saw turnover tumble from M$550.6m to M$205m as the KLSE composite index relinquished 12.05 at 1,039.46. **SEOUL**'s composite index finished 11.52 down at 1,126.87 on broadly based profit-taking.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 9 1994								TUESDAY NOVEMBER 8 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	171.24	1.3	158.32	105.85	136.21	150.72	0.9	3.70	169.11	154.92	103.70	132.74	149.32	199.15	149.38	154.45
Austria (16)	182.88	-0.3	169.08	113.04	145.46	145.37	1.0	1.11	183.45	168.06	112.49	143.99	143.88	196.89	167.48	175.82
Belgium (35)	168.67	-0.5	155.94	104.26	134.17	130.94	0.7	4.22	169.55	155.32	103.96	133.07	130.00	177.04	150.60	150.72
Brazil (28)	184.71	1.2	170.77	114.15	146.92	282.15	1.1	0.73	182.54	167.22	111.93	143.27	279.05	–	–	–
Canada (103)	132.65	-0.2	122.64	82.00	105.51	129.93	-0.5	2.62	132.90	121.76	81.49	104.31	130.58	145.31	120.54	134.38
Denmark (33)	244.39	-0.9	225.94	151.07	194.39	199.30	0.4	1.49	246.80	225.91	151.21	193.55	198.47	275.79	230.27	238.13
Finland (24)	192.37	0.5	177.86	118.91	153.02	189.51	1.3	0.74	191.34	175.28	117.33	150.18	187.08	201.41	116.85	121.25
France (101)	171.20	-0.3	158.28	105.82	136.17	141.24	1.1	3.07	171.68	157.27	105.27	134.75	139.56	185.37	159.34	162.72
Germany (58)	144.81	0.6	133.89	89.52	115.19	115.19	1.9	1.80	144.05	131.95	88.33	113.06	113.06	150.40	128.37	130.25
Hong Kong (56)	381.36	-0.2	352.59	235.74	303.35	378.40	-0.2	3.18	382.18	350.10	234.34	299.96	379.21	506.56	341.29	366.11
Ireland (14)	207.46	-0.9	191.81	128.24	165.02	185.45	0.3	3.41	209.32	191.76	128.35	164.29	184.87	216.60	172.05	175.61
Italy (59)	77.50	0.6	71.65	47.90	61.64	90.96	2.1	1.73	76.91	70.48	47.18	60.37	89.11	97.78	67.68	62.34
Japan (468)	157.32	-1.9	145.45	97.24	125.14	97.24	-1.1	0.79	160.34	146.89	98.32	125.85	98.32	170.10	124.54	144.00
Malaysia (97)	516.19	-0.1	477.25	319.08	410.60	508.74	0.0	1.65	516.46	473.13	316.69	405.36	509.70	621.63	430.71	461.92
Mexico (18)	2155.31	0.2	1992.66	1332.29	1714.39	8074.57	0.2	1.27	2151.69	1971.14	1319.38	1688.80	8055.13	2647.06	1696.26	1757.77
Netherland (19)	217.65	-0.4	201.23	134.54	173.13	170.29	0.9	3.39	218.53	200.15	134.00	171.52	168.82	223.30	187.01	193.80
New Zealand (14)	75.96	-0.6	70.22	46.95	60.42	64.78	-0.6	4.45	76.40	69.99	46.85	59.87	65.30	77.59	59.22	63.12
Norway (23)	198.78	0.2	183.77	122.87	158.11	180.34	1.5	1.83	198.32	181.68	121.61	155.66	177.49	211.74	155.52	177.15
Singapore (44)	397.92	1.1	367.90	245.98	316.53	268.14	1.3	1.57	393.60	360.57	241.35	308.93	265.72	401.38	294.66	304.18
South Africa (59)	339.50	0.1	313.88	209.65	270.05	300.16	0.7	2.13	339.14	310.69	207.96	268.13	297.99	342.00	205.86	211.06
Spain (36)	140.58	-0.1	129.97	86.90	111.82	135.81	1.2	4.30	140.71	128.90	86.28	110.44	134.13	155.79	128.88	137.36
Sweden (36)	233.82	0.3	216.19	144.53	186.99	254.62	1.3	1.57	233.12	213.56	142.94	182.97	251.45	242.68	175.89	196.78
Switzerland (47)	165.79	0.0	153.28	102.48	131.87	131.67	1.6	1.84	165.79	151.88	101.66	130.13	129.60	176.55	146.04	146.74
Thailand (46)	176.44	0.7	163.13	109.07	140.35	170.89	0.8	1.95	175.28	160.55	107.47	137.56	169.51	–	–	–
United Kingdom (204)	201.95	0.2	186.71	124.83	160.64	186.71	1.1	4.09	201.60	184.69	123.62	158.24	184.69	214.96	181.11	184.35
USA (515)	190.22	0.0	175.87	117.66	151.31	190.22	0.0	2.88	190.30	174.33	116.69	149.36	190.30	196.04	178.95	187.41
Americas (654)	178.19	0.0	164.71	110.15	141.71	147.99	0.0	2.80	178.20	163.25	109.27	139.86	148.04	–	–	–
Europe (707)	173.34	0.1	160.26	107.15	167.68	151.49	1.3	3.09	173.19	158.65	106.19	135.93	149.57	178.58	154.78	156.54
Nordic (116)	224.81	0.1	207.84	138.96	178.82	208.50	1.1	1.42	224.61	205.76	137.73	176.29	206.19	233.91	173.19	187.82
Pacific Basin (793)	166.80	-1.5	154.21	103.11	132.68	107.90	-0.9	1.13	169.37	155.16	103.86	132.94	108.84	178.86	134.78	152.34
Euro-Pacific (1500)	169.44	-0.6	156.65	104.74	134.77	125.16	0.1	1.97	170.86	156.52	104.77	134.10	125.09	175.14	143.88	153.97
North America (618)	186.66	-0.1	172.57	115.38	148.47	186.06	-0.1	2.86	186.74	171.07	114.50	146.56	186.20	192.73	175.97	184.12
Europe Ex. UK (503)	154.34	0.0	142.69	95.40	122.77	130.76	1.4	2.48	154.27	141.33	94.60	121.09	128.96	158.12	135.94	138.45
Pacific Ex. Japan (325)	258.49	0.4	238.99	159.78	205.62	228.17	0.3	2.82	257.54	235.93	157.92	202.14	227.46	296.21	232.54	232.82
World Ex. US (1708)	171.47	-0.9	158.53	105.99	136.39	128.95	0.1	1.97	172.78	158.29	105.95	135.62	128.87	178.65	145.58	154.94
World Ex. UK (2019)	174.22	-0.6	161.07	107.69	138.58	143.86	-0.1	2.09	175.24	160.54	107.46	137.54	144.01	178.59	155.96	162.89
World Ex. Japan (1755)	188.84	0.1	174.59	116.73	150.20	177.74	0.5	2.89	188.74	172.90	116.73	148.13	176.87	195.20	178.34	177.55
The World Index (2223)	176.66	-0.5	163.33	109.20	140.52	147.70	0.0	2.29	177.57	162.67	108.88	139.37	147.71	180.80	158.85	164.79

Please note: Amendments to indices 9/11/94 related to Denmark and related regional indices. Latest prices were unavailable for this edition. Barcelona market open 9/11/94. Madrid market closed 9/11/94